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Editor's Column

Illiberalism



In the US and Europe, students have embraced progressive values to a degree that would put the bearded rebels of yesteryear to shame. However, today's self-described liberals are nothing of the sort: most eschew free speech, clamp down on thought deemed deviant, and refuse to entertain any notion that goes against the grain.

According to the Higher Education Research Institute of the University of California, fully 70% of the 2015 freshmen agrees with the statement that speech deemed racist and/or sexist should be banned from campus. More 40% of first year students do not wish to hear "extreme speakers". The damning labels are mostly applied by those with – pardon the pun – extreme sensitivities. Thus, Managing Director Christine Lagarde of the International Monetary Fund was barred from delivering a commencement speech at Smith College whilst former Secretary of State Condoleezza Rice received a disinvitation from Rutgers University after some students objected to her doing the honours.

Academics who dare question the students' growing illiberalism are marginalised, shunned, and, in some cases, have their careers ruined. The students, meanwhile, have created "safe zones" that are free of the vices they battle in the outside world. At some 75 US universities students have presented long lists of demands that include such esoteric phenomena as mandatory diversity sensitivity training for academia, speech codes, and public apologies for perceived past transgressions. In other words, the demands are to be implemented retroactively. History, it seems, needs to be subjected to revisions and purged from potentially offensive events. While at it, why not establish a Ministry of Truth and adopt newspeak as the lingua franca?

Whilst students are supposed to question – and possibly undermine – the status quo, their ethereal sense of liberalism, now in vogue, does not bode well. A whole generation of professionals is being conditioned to operate in a twisted and convoluted netherworld in which every assertion is examined for a hidden meaning and critical questions – or nonconformist thought – is dismissed as offensive and answered with hostility. Free and frank debate is being replaced with pussyfooting and the application of euphemisms: let's not say what we mean, but merely transmit ready-packed and pre-approved opinion. Of course, this is not what liberalism stands for.

Take hint from someone whose political correctness is beyond reproach: former Dutch Green Party leader Femke Halsema, now sadly lost to politics, who repeatedly stood up in parliament to apply a verbal lashing to fellow parliamentarians whenever they tried to silence the country's xenophobe-in-chief Geert Wilders. Ms Halsema, who disagrees with Mr Wilders on virtually every topic, time and again assured colleagues suffering a severe bout of political correctness that she would fight tirelessly for her opponent's right to freely express his opinions – however loathsome they happen to be.

In the UK, classicist Mary Beard of Cambridge University has rallied more than once against the guardians of political correctness and encouraged students to question their holier-than-thou mores. In his recent exposé on the assault on free speech in the West, British journalist Mick Hume noted that only months after the murder of Charlie Hebdo cartoonists in Paris, commentators were already advocating for limits on free speech – including the right to be offensive – in order to avoid future massacres. Safety, apparently, comes before freedom. Online, "twitch hunts" are now regularly organised to shut out and shut up tweeters who express the "wrong" opinion. Trigger warnings, an American invention that aims to protect the sensitive student from possibly offensive texts, have spread to Europe and the Internet.

The University of Chicago is now, thankfully, pushing back and welcoming its freshmen with a letter that makes it abundantly clear that trigger warnings and safe spaces are not supported and, in fact, not available. Students are advised to expect, and engage in, rigorous debate that may "at times may challenge you and even cause discomfort". In other words: grow up and deal with whatever chip rests on your shoulder.

The blunt message from Chicago is refreshing – and much-needed: this is not at all about exclusion or disrespect. Rather, the University of Chicago expects its students to prepare for survival in the real world with all its ills. By all means, strive for a better and kinder world, denounce bigotry, and fight it with all your might: just don't silence your opponents. In an all-inclusive liberal democracy, that is about the only thing which remains "verboten".

Wim Romeijn

Editor, CFI.co



Boston, Massachusetts: Harvard Business School



Editor's Column

> Letters to the Editor

Your magazine's assertion ('Europe: None of the Above") that the British are about to discover the true cost of extra-union existence fails to address the emotional dimension of Brexit. The June 23 vote was not so much about the EU as it was about the existentialist angst suffered by those who can no longer culturally identify with their surroundings. Put another way: immigration to an already densely-populated nation is deemed undesirable and voters want it stopped – or at least strictly controlled. As such, Brexit is not about economics or high finance. The remain campaign did not realise this simple fact and lost the vote by putting forth a narrative based on reason and logic. Those otherwise laudable faculties, however, do not come into play.

GEOFFREY CARLYLE (Hull, UK)

A nation that cannot ensure peace within its borders ("Can Nigeria Maintain Its Dominance as a West African Investment Hub?") will find it hard to enticed moneyed foreigners to invest. Nigeria may be the largest economy in Africa, its GDP is on par with that of Thailand and smaller than those of Belgium, Poland, and Sweden – countries that all manage to maintain a degree of stability and, arguably in the case of Thailand, the rule of law – essential to any investor about to park some millions in a new jurisdiction. Nigeria, with its large young population, may hold great promise; so did Brazil and Argentina – and we all know where that went. Africa's largest nation would be well-advised to put its house in order before counting on foreign direct investment as the driver of its economy.

PIETER HOOYDONK (Pretoria, South Africa)

I particularly enjoyed your profile of Wolfgang Schäuble ("Calling Liberalism to Order"), Germany's much-maligned finance minister. Rooted in pragmatism, Mr Schäuble's thinking goes against the grain of the boundless optimism which guides economic policy in Anglophone nations such as the United States and Great Britain. By sticking to notions often described as "simplistic", Mr Schäuble refuses to engage in voodoo economics or other fads. Uniquely, the man seriously argues that only hard work and relentless penny-pinching may lead to sustained prosperity. He has a point and Germany offers the living proof that backs it up. Elsewhere, alas, the unending search for shortcuts continues.

FRANZ STOCKMANN (Linz, Austria)

Please do not dismiss, out of hand, the progress made in Latin America ("Waiting to Seize Its Moment") over the past decade or so. Whilst Argentina, Brazil, and Venezuela fare less well than most, countries such as Chile, Peru, Colombia, and Mexico have moved ahead quietly. With a new administration in place, Argentina is catching up as well. Though it is a mammoth task to unwind eons of administrative neglect and abuse, progress is being made. Most nations of Latin America are steadily moving up on the World Bank's ease-of-doing-business index which should – in the fullness of time – attract more investors and build more competitive businesses. Even Brazil, now in the midst of a sharp downturn, offers hope as the country's judiciary battles to institute the rule of law and tackles corruption. There is hope yet.

OSVALDO d'ALBUQUERQUE (Campinas, Brazil)




London

I take issue with smart government ("The Smart in Smart Government"). Enough already of app-based initiatives and presidents who tweet their every thought into cyberspace. Can we please return to the era of boring public administrators who just do their 9-to-5 job without broadcasting their accomplishment to all and sundry? We do not need new-fangled technologies to collect the trash, run the waterworks, or provide proper healthcare to those who need it. I may be a sentimentalist afflicted by nostalgia, but I also remember a time when civil servants were serving the public with civility and diligence. They didn't need apps or decision-making flowcharts to do the right thing.

SIMON BERGREEN (Perth, Australia)

I, for one, am going to miss Fidel Castro ("An Antagonist Remembered"). In fact, I already do. Here was a man not easily swayed by the flavour of the day or intimidated by forces greater than his tiny island could muster. Whilst we may not have agreed with his ideology, or his repression of dissent, Fidel Castro was a known quantity: we all knew what he stood for. Most modern-day politicians espouse whatever opinion is popular at the moment and seem not to hold any of their own. As such, voters have no clue what these politicians will do once they get elected to office. Of course, Fidel Castro did not believe in free elections. A pity, for I'd wager that he would have triumphed.

CATHERINE PARKER (Jacksonville, US)

The annual conclave of the world's elite in Davos is a sight to behold ("Connecting with Reality"). These people flutter to and fro in private jets, mega yachts, and limousines whilst preaching environmental probity. Of course, there are exceptions, but most of the Davos crowd cannot be trusted to make the world a better place. These people are in it for the money of which they never seem to have enough. Once a few tens of millions have been scooped up, a few crumbs are dropped into good causes. I pity the World Economic Forum's founder – a noble man on a likewise noble mission. We need people such as Prof Klaus Schwab who seriously wishes to make a difference. What we don't need are all these hangers-on.

ARTHUR HALLE (Perpignan, France)

Whilst it is true that for every current account surplus there must be a deficit somewhere else ("Global Imbalances on the Rise"), it does take two to tango. Amongst mature and fully-developed economies, current accounts surpluses and deficits should, at least in theory, be fairly balanced. After all, current account deficits are usually associated with economies that undergo rapid progress and need to attract extra money to invest in both economic and social infrastructure. To blame the Germans and the Dutch for maintaining huge c/a surpluses is to miss the point: their economies merely fill the void left by other less dynamic nations. There is absolutely no reason why the United States, Great Britain, Australia, and even resource-rich Canada should suffer a c/a deficit other than that these countries have failed rather miserably to up productivity and increase competitiveness.

HANK THURBER (Leeds, UK)

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> World Bank:

Bloated Central Bank Balance Sheets

By Otaviano Canuto and Matheus Cavallari

Central banks of large advanced and many emerging market economies have recently gone through a period of extraordinary expansion of their balance sheets and are all now possibly facing a transition to less abnormal times. However, the fact that one group is comprised by global reserve issuers and the other by bystanders receiving impacts of the former's policies, carries substantively different implications. Furthermore, using Brazil and the US as examples, we also illustrate how the relationships between central bank and public sector balance sheets have acquired higher levels of complexity, risk, and opacity. Those challenges will remain as the unwinding of central bank portfolios is not likely to lead them back to where they were.

(I): UNCONVENTIONAL MONETARY POLICIES

Since the global financial crisis hit the international economy in 2008, central banks in major advanced economies have widened their range of monetary policy instruments, increasingly resorting to unconventional tools. Initially to avoid a deepening of the financial destabilisation and bankruptcy of solvent-but-illiquid private sector balance sheets, and subsequently to fight economic stagnation and deflation risks as private agents deleveraged, the US Federal Reserve Bank (Fed), European Central Bank (ECB), Bank of England (BoE), and Bank of Japan (BoJ) have all – in different moments and intensities – implemented programmes of massive purchases of government securities and/or private assets from markets with a simultaneous creation of bank reserves on their liabilities side (quantitative easing – QE).

Central bank policies seemed to shift towards including financial stability as a goal, while uncertainty regarding counterparty risks remained elevated. To that aim, crisis-hit economies saw broad liquidity provision to domestic banking systems through QE, with the latter evolving later on to becoming a tool to boost the efficacy of interest-rate cuts.

Together with forward guidance, debt swap programmes, lines of long-term loans to banks and, more recently in the Eurozone, negative interest rate policies, such use of unconventional monetary policies led to an extraordinary expansion of their balance sheets (chart 1 – left side). First, central banks' balance sheets expanded by supplying reserves to assure smooth settlement of financial transactions. Because of the elevated uncertainty on counterparties' solvency, banks were hoarding those reserves instead of lending in interbank markets – also as a way to self-insure. This balance sheet expansion could be seen as liability-driven – i.e. originated from policies aiming at central banks' liabilities. The second wave of expansion came from QE per se: policymakers bought assets to reduce long-term interest rates and shift portfolio compositions. Those asset purchases were financed by creating reserves, making this second expansion of central bank balance sheets an asset-driven one.

> "The increasing global financial integration in the last decades has imposed increasing challenges to make liquidity management effective as cross-border volumes of capital flows expanded significantly."

The asset composition moved from government bills only to various types of bonds and equities (chart 1 – right side) – with differences among central banks mirroring underlying structural differences in shapes of local financial markets (weights of bank intermediation versus capital markets, shares of government bonds in private portfolios). In the case of the Eurozone, institutional weaknesses, the fragmentation of the banking system and risks of country exits imposed additional challenges to ECB policies.

The size and responsibilities acquired by central bank balance-sheet operations also reflected an over-reliance on monetary policy to support macroeconomic recovery. Either because of an option for fiscal austerity in the Eurozone as a whole or for early pursuits of fiscal consolidation (US, UK), opportunities to resort to fiscal policy as an additional engine were left behind.

There are intrinsic challenges to isolate and assess the impact of QE on macroeconomic outcomes. However, most analysts agree that, besides precluding deep downward spirals of debt deflation and bankruptcy, its transmission through lower debt service, positive wealth effects, and weaker currencies (euro, yen) contributed to an economic recovery, including by helping banking, household, and corporate deleverage in countries that adopted those unconventional policies. The size acquired by central bank balance sheets was to some extent a flipside of the over-size of domestic and international private portfolios built in the run-up to the global financial crisis, the unwinding of which would have been even more disorderly otherwise. The incompleteness of such unwinding – including debt restructuring and consolidation of portfolios – helps explain the relative feebleness of recovery and the extended time horizon of unconventional monetary policies in the Eurozone.

After almost a decade since unconventional monetary policies came to unfold, a casual observer might be asking when the policy agenda will shift to exit strategies and unwinding of central bank portfolios. Indeed, the main provider of global liquidity, the Fed, is already gradually hiking interest rates, as the US economy came close to full employment. In fact, two presidents of regional Federal Reserve Banks have already expressed their willingness to shrink the Fed's balance sheet.

Other major central banks may start exiting only later down the road, as further private sector deleveraging – or public debt restructuring – is still needed. However, spill-overs from the first mover have already induced capital flows rebalancing. Lack of synchronisation in paces of economic recovery will place additional challenges for orderly balance sheet adjustments.

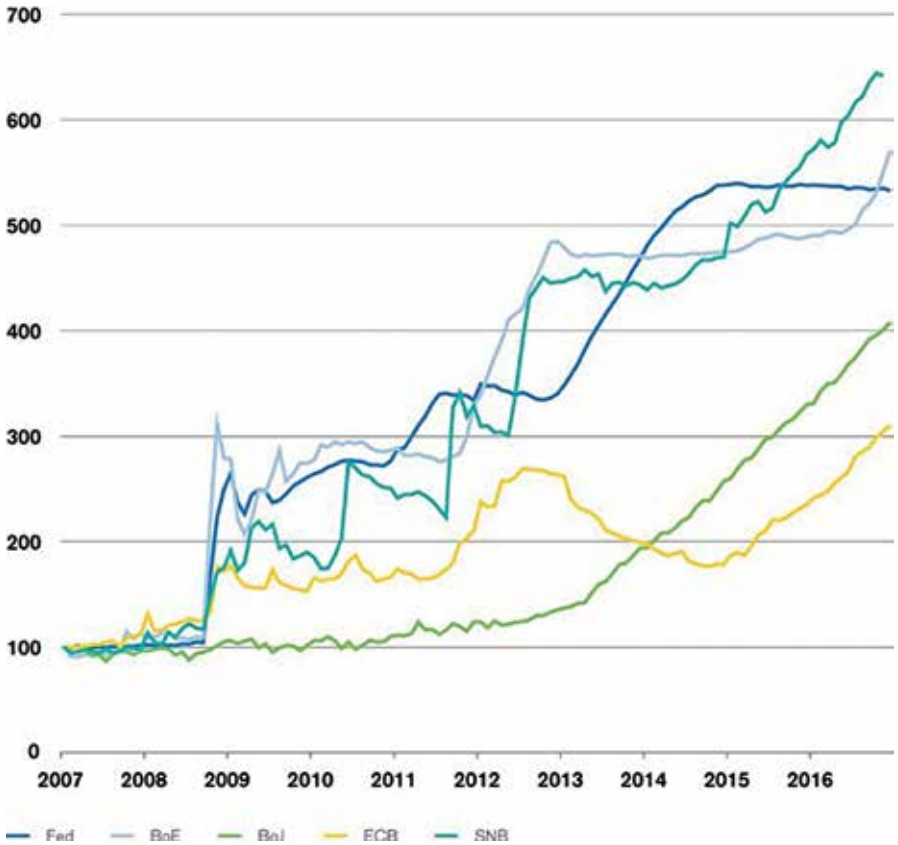
There are strong reasons to believe that there will be no return to the pre-QE configuration of balance sheets. Together with the pro-recovery motivation for central bank policies, structural and regulatory factors have contributed to their balance sheet dynamics, and made central banks not just market regulators, but also quasi-market makers.

First, the increasing global financial integration in the last decades has imposed increasing challenges to make liquidity management effective as cross-border volumes of capital flows expanded significantly.

Second, changes in financial regulation have induced private agents to alter their behaviour and strategies. Basel III requires banks to carry a minimum amount of high quality liquid assets, which could be met by simply holding reserves at central banks. These rules have discouraged banks from receiving short-term cash balances from institutional investors and made central banks the only remaining player able to provide liquidity services.

Finally, central banks may need to accept an increasing role as funding providers, as banks are not incentivised to use short-term balances for arbitrage trades. Thus, a new task came under the purview of central banks: monitoring relations between various benchmark curves –

Evolution of Central Bank Balance Sheets – local currency, Jan 2007 = 100. *(shown immediately below)*



Broad asset mix on central bank balance sheets.
Last data point: Fed (4/1/17); ECB (end-2016); BoJ (end-Sept. 2016). *(shown immediately below)*

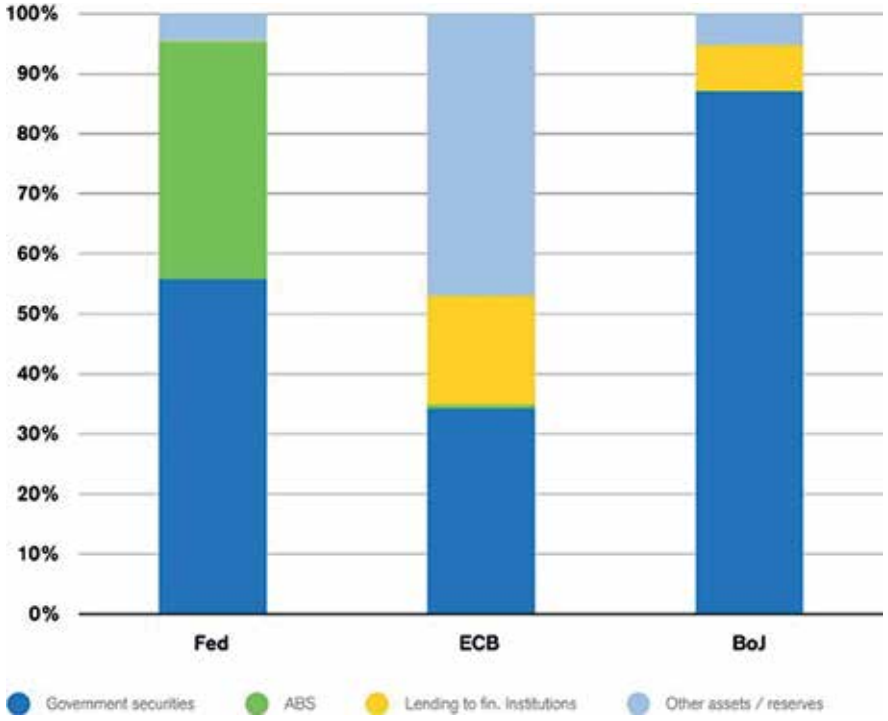


Chart 1: Advanced Economies - Central Bank Balance Sheets. *Source: Credit Suisse, The future of monetary policy, January 2017.*

i.e. operating as quasi-market makers. One may expect that the new normal configuration of central bank balance sheets will not necessarily be as bloated as the one during recent abnormal times, but will not return to the pre-crisis size and profile.

(II): SPILL-OVERS FROM ABROAD

As financial markets started normalising globally in the wake of acute crisis moments, unconventional monetary policies generated a collateral effect by shifting abundant liquidity to other countries – small advanced economies and emerging market economies (EMEs) mostly casual bystanders at that point. Until the 2013, taper tantrum started to affect EMEs following the Fed's first announcement of a forthcoming end of QE, liquidity excesses eventually turned into massive capital flows to those countries.

Capital inflows had already led to a piling up of foreign currency reserves in recipients – particularly when accompanied by high current account surpluses – prior to the global financial crisis. After a slowdown in the immediate aftermath of the crisis, those flows and the corresponding reserve accumulation returned with strength for some time, until slowing down again more recently (chart 2).

The intensive wave of capital flows to EMEs in between the crisis eruption and the taper tantrum reflected unconventional monetary policies in large advanced economies, combined with enthusiasm about what then seemed to be a steady growth decoupling of the former. It is worth noticing the higher weight of short-term flows and bond purchases in the QE-influenced wave comparative to previous periods.

While capital inflows and reserve accumulation had already been leading to challenges faced by monetary policymakers in EMEs, these were exacerbated by the features of the QE-originated wave. Even an EME not manipulating exchange rates – i.e. pursuing strategies of curbing domestic demand and deliberate exchange rate undervaluation – would not be expected to take a hands-off approach to exchange rate pressures and allow the liquidity wave from abroad to be fully absorbed via local currency appreciation.

Therefore, accumulation of reserves with corresponding central bank balance sheet accommodation became the norm. Holding up against local currency appreciation while sterilizing monetary impacts of reserve accumulation meant expanding balance sheets of recipient EMEs – an asset-driven increase of the central bank balance sheet. That was a major factor behind several EMEs' central bank assets reaching proportions of GDP comparable to those of economies adopting unconventional monetary policies (chart 3).

DIFFERENCES IN MONETARY POLICY FRAMEWORKS

From the standpoint of the component of reserve balances in central bank balance sheets, unconventional policies in advanced economies shifted their banking systems from a structural deficit of reserve balances to a structural surplus. EMEs in turn, by then already with a long history of surplus reserve

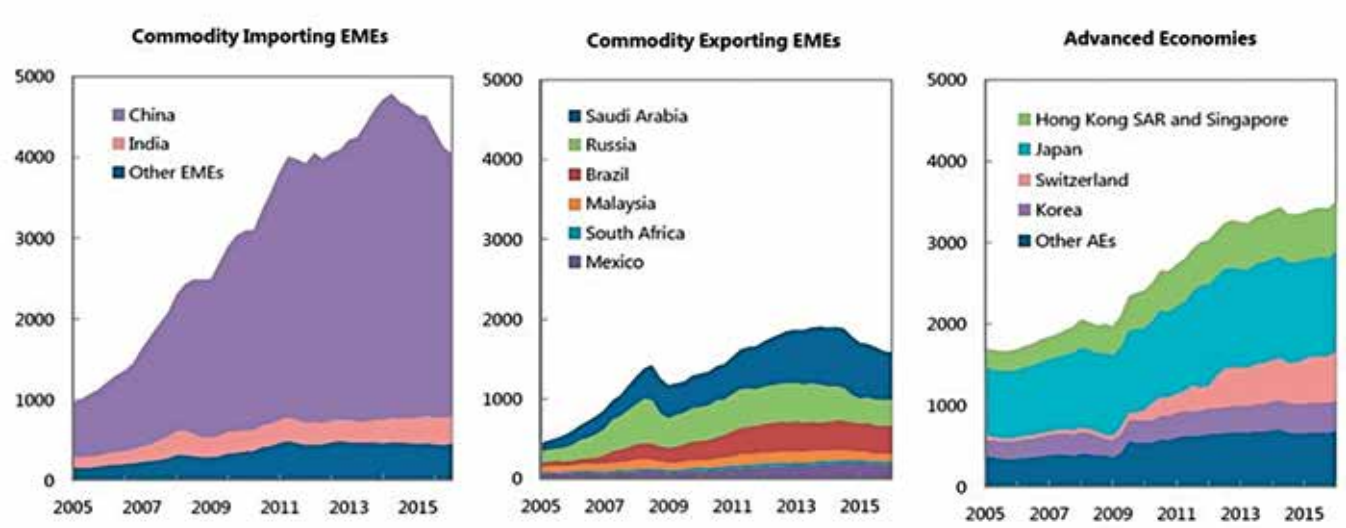


Chart 2: Selected Economies - Gross International Reserves 2005 Q1 - 2016 Q1 (US$ billions). *Source: IMF, External Sector Report 2016.*

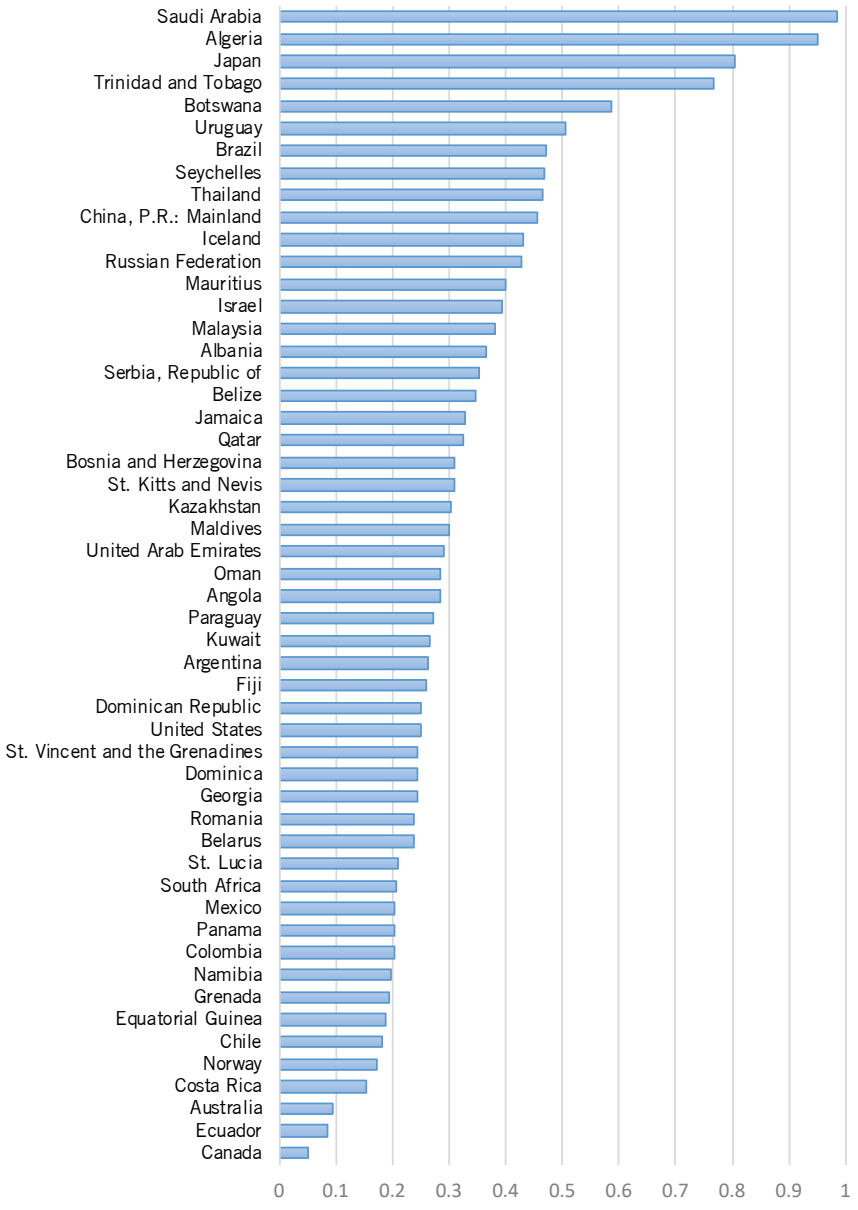


Chart 3: Central Bank Total Assets to GDP Ratio. *Source: International Financial Statistics, IMF.*

balances – usually caused by exchange rate interventions, government financing and, sometimes, provision of assistance to unhealthy banks – had asset-driven surpluses intensified by QE.

There are three basic means to sterilize monetary impacts of asset purchases – foreign assets and government or private securities – when the central banks intends to outweigh their initial effect as additions to commercial bank reserves on the liabilities side: (i) retaining them as additional required or voluntary free reserves, fine-tuning the corresponding remuneration in the latter case; (ii) issuing central bank own securities; and (iii) using government securities held in their portfolio to make reverse repo operations with the private sector.

Central banks vary widely in the use of those tools. Ferreira (2016) compares the cases of Brazil (BCB), Fed, ECB, Mexico (Banxico), and Korea (BoK) and remarks that:

The sterilisation of central bank purchases of private assets, government bonds, and foreign assets was mainly done with retention of remunerated voluntary reserves (mainly Fed and ECB) and issuance of central bank own bonds (notably BoK). Fed and BCB are not legally authorized to issue own bonds (chart 4a).

Brazil is the only case where reverse repos based on government bonds was the predominant tool. Relatedly, government bonds held on the asset side by the central bank had to augment considerably in order to make feasible the ramp up of foreign asset accumulation and its sterilisation. That explains the tall sizes of both foreign assets and government bonds in BCB's assets as a feature unique to Brazil in this group (chart 4b). It also is part of the explanation of why the bloating of BCB's balance sheet took it to a size equivalent to almost 50% of Brazil's GDP, substantially taller than all other central banks in the group (see also chart 3).

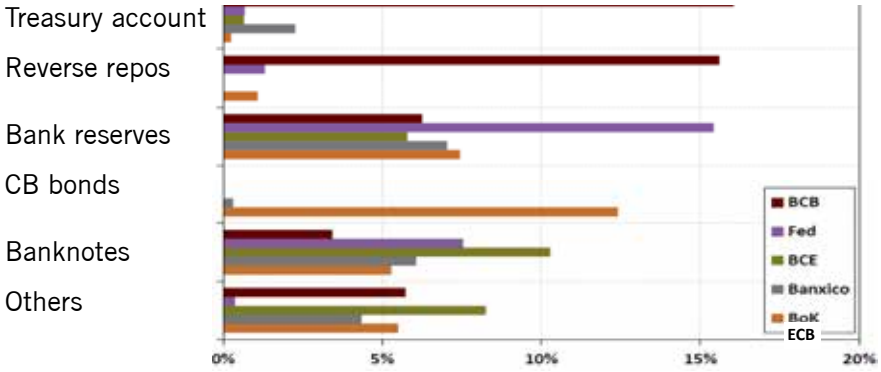


Chart 4a: Selected Countries - Central Bank Liabilities 2015 (% of GDP).
Source: Ferreira, C. L. K. (2016), "A dinâmica da dívida bruta e a relação Tesouro-Banco Central", in Bacha, E. (ed.), O Fisco e a Moeda: Ensaios sobre o Tesouro Nacional e o Banco Central – Em Homenagem a Fabio Barbosa, Civilizaçao Brasileira.

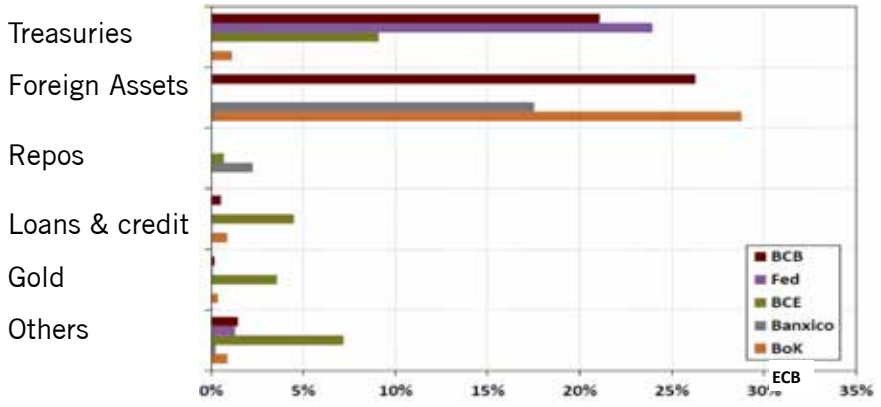
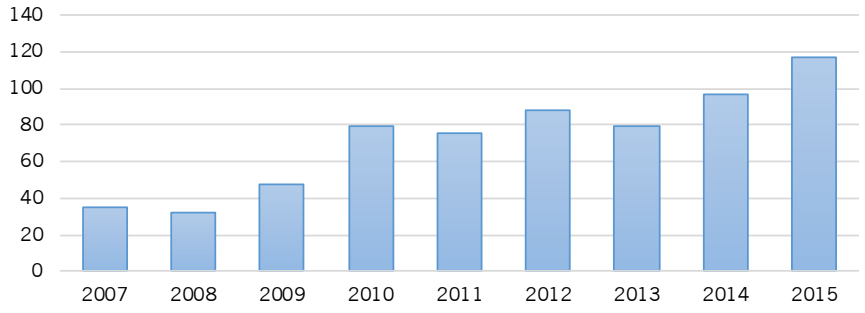


Chart 4b: Selected Countries - Central Bank Assets 2015 (% of GDP).
Source: Ferreira, C. L. K. (2016), "A dinâmica da dívida bruta e a relação Tesouro-Banco Central", in Bacha, E. (ed.), O Fisco e a Moeda: Ensaios sobre o Tesouro Nacional e o Banco Central – Em Homenagem a Fabio Barbosa, Civilizaçao Brasileira.

Federal Reserve Remittances to the Treasury (USD billion). *(shown immediately below)*



Central Bank of Brazil Remittances to the Treasury (BRL billion). *(shown immediately below)*

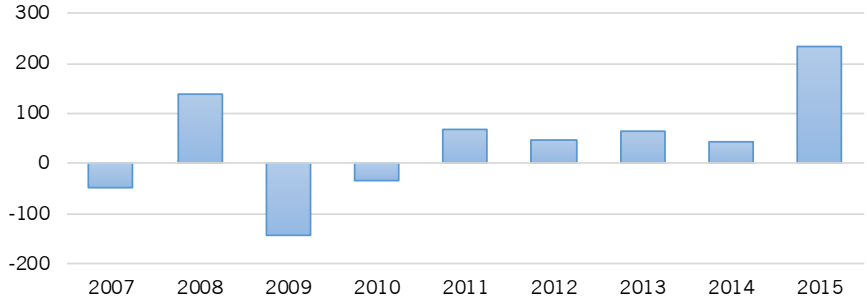


Chart 5: U.S. and Brazilian Central Bank Remittances to the Treasury.
Source: Federal Reserve (2015 remittances include $19.3 billion transferred as capital surplus) and Central Bank of Brazil.

IT'S COMPLICATED!

There are multiple channels through which monetary policy and central bank balance sheets interact with government fiscal accounts and balance sheet. Bloated central bank balance sheets have magnified the weight and the complexity of that web of relations, one in which country-specific institutional features matter. Let's offer some examples.

Take for instance the unique Brazilian over-reliance on reverse repos for monetary sterilisation approached in the previous item. As observed, BCB relies mainly on reverse repos to drain liquidity surpluses, being current reserve requirements considered already high. So, the monetary authority sells – with repurchase agreement – government bonds from its balance sheet, and the treasury supplies those bonds if needed to avoid losing control of the policy rate.

That tool has an accounting implication beyond the monetary policy realm. It implies that Brazil's general government gross debt as measured by the International Monetary Fund (IMF) and most other analysts is higher than what would be the case if there was no single reliance on reverse repos and therefore less need to hold so huge volumes of government securities in BCB's balance sheet.

The standard method to account for gross public debt is to consider all public debt in the central bank balance sheet, including even the extra buffer held to minimise the risk of losing the capacity to set the monetary policy rate. It is fair to say that this part of the gross public debt corresponding to assets held by BCB and not by markets should not be treated as a result or a component of Brazil's fiscal and public debt dynamics. Cross-country comparisons of public debt should take that into account.

Ilan Goldfajn, BCB's president, has recently declared that remunerated voluntary deposits will be added to the monetary policy toolkit in the near future, offering a remuneration equivalent to reverse repos. The stock of the latter has reached levels above 16% of GDP of last year and over time shall be partially replaced with remunerated voluntary reserves, with relevant fiscal accounting implications. By following the Fed's practice of paying interest on banking reserves, the central bank's portfolio of government bonds could be reduced. Consequently, the gross public debt, as compiled, for example, by the IMF, would be lower.

Another connecting channel between fiscal and monetary policy realms is made by occasional profits and losses incurred by central banks in their operations. That is a channel that has now, obviously, become much more significant than in the past.

An example comes from Fed's Operation Twist in 2011 and 2012, a debt swap programme in which the Fed bought long-term Treasury bonds in the market and sold short-term Treasury bonds

> "Monetary theory is less abstract than most economic theory; it cannot avoid a relation to reality, which in other economic theory is sometimes missing. It belongs to monetary history, in a way that economic theory does not always belong to economic history."
>
> - Sir John R Hicks

to flat long-term interest rates. The transaction amounted to hundreds of billion dollars. The Fed holds these long-term bonds in its assets, where an increase of 100 basis points in interest rates of the 30-year Treasury bond would impose up to a 20% loss on their value. In January 2017, the Fed's balance sheet had up to 55% of government securities and close to 40% of asset backed securities (ABS).

Despite implicit potential losses in the Fed's balance sheet, Operation Twist is directly accounted as part of US gross public debt. Moreover, the Fed has profited from the difference between negative short-term real interest rates and the positive yield-to-maturity on the long-term bonds. By buying ABS and drying up the surplus of reserves, the Fed also pays interest on these reserves. This carry trade has been profitable for the Fed. Profits amounted to up to $97.7 billion in 2015, being transferred to the US Treasury in 2016 (chart 5 – left side). However, this picture can revert dramatically as short-term interest rates rise and the yield curve steepens.

The Fed's capacity to pay interest on reserves and resort to the latter as a sterilisation tool – seen in the previous item – is not an old practice. It was introduced to avoid losing control of monetary policy from the QE collateral effects. Hypothetically, a situation could arise that might make the Fed run out of Treasury bonds to sell in the market. However, paying interest on reserves affects central bank's profit – there is a budgetary impact – and does not require government bonds as a collateral. Therefore, the gross public debt would be higher than in the case the monetary authority had kept using reverse repos to drain liquidity excesses, such as in Brazil, creating distortions in cross-country comparisons.

Another example of this complexity – and risks and opacity – acquired by fiscal-monetary links in the era of bloated central bank balance sheets associated to central bank operational income comes from Brazil (chart 5 – right side). Given the magnitude of foreign assets held by BCB, like some other EMEs, exchange rate oscillations often lead to significant central bank non-realized gains and losses in local currency.

In Brazil, central bank's income is legally mandated to be transferred every six months to the Treasury Single Account on the liabilities side of the BCB's balance sheet. Chart 4a exhibits how high the balance in that account has grown. According to Mendes (2016) and Ferreira (2016), to a large extent this stems from the treatment of gains and losses from non-realised results from exchange rate variations – which are accounted apart from other balance sheet items. While gains have been deposited in the Treasury Single Account, losses have been compensated with government transfers of new public bonds to the BCB's balance sheet. Over time, this has raised balances on both the Treasury Single Account (liabilities) and Treasuries (assets).

By the same token, there are challenges associated with the accounting of results from foreign currency swaps, which were intensively adopted by BCB during and after the 2013 taper tantrum in order to smooth local currency depreciation pressures. By design, swap results are in opposite direction to the ones from actual foreign reserves: e.g., actual exchange rate depreciations imply local currency gains with the BCB stock of foreign assets, while there is a simultaneous payment of premium on (smaller) notional values of swaps. Nonetheless, while the latter are non-realised, the former is accounted in the fiscal balance.

FINAL REMARKS

Nobel Prize laureate Sir John R Hicks argued that monetary systems and institutions are particular to each epoch in history. In that context, he wrote in his Monetary Theory and History (1967):
"Monetary theory is less abstract than most economic theory; it cannot avoid a relation to reality, which in other economic theory is sometimes missing. It belongs to monetary history, in a way that economic theory does not always belong to economic history."

Such variability and evolutionary nature of monetary systems and institutions over time also has a flipside when it comes to space. Analyses and policy choices on monetary and financial systems cannot rely simply on abstract and universal principles, and is obliged to take into account historic-specific contexts.

That historical specificity of money and finance was shown here in our approach to the two recent distinctive-but-combined types of experiences of bloating balance sheets lived by central banks. Furthermore, we saw how variegated and country-specific the array of monetary policy tools and institutions is. On the other hand, as this recent evolution does not seem likely to be unwound and reverted, all share in common the challenge of facing new risks and complexity coming with the new normal of central bank balance sheets. ❇





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All opinions expressed here are their own and do not represent those of the World Bank or of those governments Mr Canuto represents on its board. References in this article available upon request.

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ESG Reporting - Six Reasons Why



The corporate reporting of sustainability data – call it ESG, or environmental, social, and governance data – has come a long way. Only 20% of Fortune 500 companies reported ESG data in 2011. By 2016, according to the Governance and Accountability Institute, only 20% failed to report. More than 10,500 organizations have created almost 40,000 separate sustainability reports, according to the Global Reporting Initiative. The Bloomberg terminal now includes more than 700 different ESG disclosures from nearly 12,000 companies.

This information flood has produced interesting market insights, but it is also becoming clear that the value of ESG reporting does not reside entirely in the output of data. The very process of gathering this data and integrating it into management practices can create operational and economic benefits beyond those determined by investor valuation. ESG-related efficiency and performance improvements can impact intangible brand value, enterprise risk management, and product and service innovation.

STOCK EXCHANGES STEP UP

The significant increase in ESG data reporting has been driven by a number of cultural dynamics, including the climate crisis, economic instability, institutional scrutiny, and the rise of "big data" analytics. But discrete initiatives have also been influential. The UN Sustainable Stock Exchanges initiative, launched in 2009, has successfully encouraged 33 exchanges to publish ESG reporting guidance to their listed companies. The Sustainability Working Group at the World Federation of Exchanges spent two years (2013-2015) researching the intersection between market forces and ESG performance, ultimately advocating for 33 separate and distinct data disclosures.

Other projects – the FSB Task Force on Climate-Related Financial Disclosures, the SEC Regulation S-K Concept Release (US), and the Non-Financial Reporting Directive (EU), amongst others – have also fostered awareness. But in each of these cases, the data products themselves are not the only tangible sign of progress. Indeed, each initiative has taken great pains to elucidate the business case behind ESG reporting, the internal value drivers that companies may realise just by undertaking this work.

"The UN Sustainable Stock Exchanges initiative, launched in 2009, has successfully encouraged 33 exchanges to publish ESG reporting guidance to their listed companies."

While ESG factors are often seen as non-financial performance indicators, the ways in which a company tracks, measures, and manages them undoubtedly has financial consequences. The very term "non-financial" is a misleading one, because ESG information is relevant and measurable. If investors are attracted to a company, and own the stock longer, due to ESG performance signals, that has a real financial impact. But the subtle values that sustainability can provide, as we detail below, may also be just as measurable.

LOOKING BEYOND THE BALANCE SHEET

Academics and investors have been able to find correlation between companies with good ESG practices and other positives, such as lower cost of capital, lower stock price volatility, and better valuation over the long term. Deutsche Asset & Wealth Management, for example, recently published a study (ESG & Corporate Financial Performance: Mapping the Global Landscape) that reinforced this supposition. We would also draw your attention to a recent paper published by UNEPFI titled Fiduciary Duty in the 21st Century. As those and other sources assert, the broad impact of ESG creates real impacts upon a host of business drivers, including:

- Access to capital
- Cost savings and productivity
- Risk management
- Revenue growth and market access
- Brand value and reputation
- License to operate
- Human capital management
- Employee retention and recruitment
- Mergers and acquisitions
- New product and service innovation

But this list does not address other impacts, tactical concerns that exchanges believe are of increasing importance to our issuers. Exchanges often serve as ESG touchpoints, training partners, and investment facilitators for public companies. As part of that engagement, and faced with the variant opinions of thousands of well-run companies, exchanges are compelled to create a business case of their own: Why are exchanges doing this work? How can we work together to create value? These six distinct value drivers, all tied to best practices in ESG, have proven most persuasive.

1. Overcoming Framework & Questionnaire Fatigue

There are dozens of reputable reporting agencies and ratings firms covering "sustainability" in the broadest sense; companies are besieged with requests for ESG information, especially in the supply chain and RFP process. ESG reporting advice from the exchange often helps companies separate the meaningful from the esoteric and efficiently prioritise information requests.

2. Gaining Competitive Advantage

Companies with the expertise and resources to gather and report ESG data, as well as handle a diverse multitude of stakeholder interests, are disproportionately winning contracts, customers, and media praise. Exchanges can make this case successfully – and often do.



IBM US Equity | 99) Export to Excel | Environmental, Social & Governance Analysis

International Business Machines Corp — History 5 Years — Currency USD

Summary	vs History	vs Peers
Environmental	Better	Worse
Social	Worse	Worse
Governance	Worse	Worse

97) ESG Scores | RV ESG »

RobecoSAM Rank	69	ISS Quickscore	6
Sustainalytics Rank	95.2	CDP Climate Score	4
Bloomberg ESG Disclosure	47.5		

Metrics	vs History: Current	History	Change	vs Peers: Low	Range	High	Median	Difference	History
1) Environmental									
11) GHG/Revenue	24.8		-0.7 B	11.9		29.6	19.4	5.4 W	
2) Social									
21) Women Empls Mgmt Ratio	0.84		-0.02 W	0.6		0.6	0.6	0.24 B	
22) Women Employees %	31.4		2.9 B	28.2		33	33	-1.6 W	
23) Employee Turnover %	--		--	18.1		21.5	19.8	--	
24) Employees Unionized %	--		--	0		14	0	--	
25) Lost Time Incident Rate	0.17		0.04 W	0.02		0.06	0.04	0.13 W	
3) Governance									
31) Independent Directors %	85.7		-6 W	63.6		92.3	86.1	-0.3 W	
32) Women Directors %	21.4		4.8 B	0		38.5	12.7	8.7 B	
33) Director Avg Age	65		1 W	54		67	58	7 W	
34) Director Meeting Attd %	97		22 B	73.6		92	75	22 B	
35) Board Size	14		2 W	6		14	10	4 W	

Source: Bloomberg

> **"Academics and investors have been able to find correlation between companies with good ESG practices and other positives, such as lower cost of capital, lower stock price volatility, and better valuation over the long term."**

3. Broadening Investor Outreach

According to the Forum for Sustainable and Responsible Investment (US SIF), "more than one out of every five dollars under professional management in the United States – $8.72 trillion or more – was invested according to SRI (Sustainable, Responsible, Impact investing) strategies." A significant knowledge gap still exists between investors and IR on the topic of ESG disclosure, and exchanges work diligently with companies to turn sustainability into a positive outbound narrative for corporates.

4. Redefining Internal Value Metrics

Successful integration and analysis of ESG data (and related exercises, such as materiality analyses) can lead to direct energy cost savings, elimination of organisational redundancies, innovative new products and services, and even improved staff morale – all of which have tangible economic impacts.

5. Boosting Recruitment & Retention

Good ESG policies (though often expressed, with purposeful nuance, as corporate social responsibility or corporate citizenship plans) are no longer optional. Companies with a neutral or negative perception on this topic have trouble finding and keeping talent and tend to pay more for it.

6. True Enterprise Risk Management

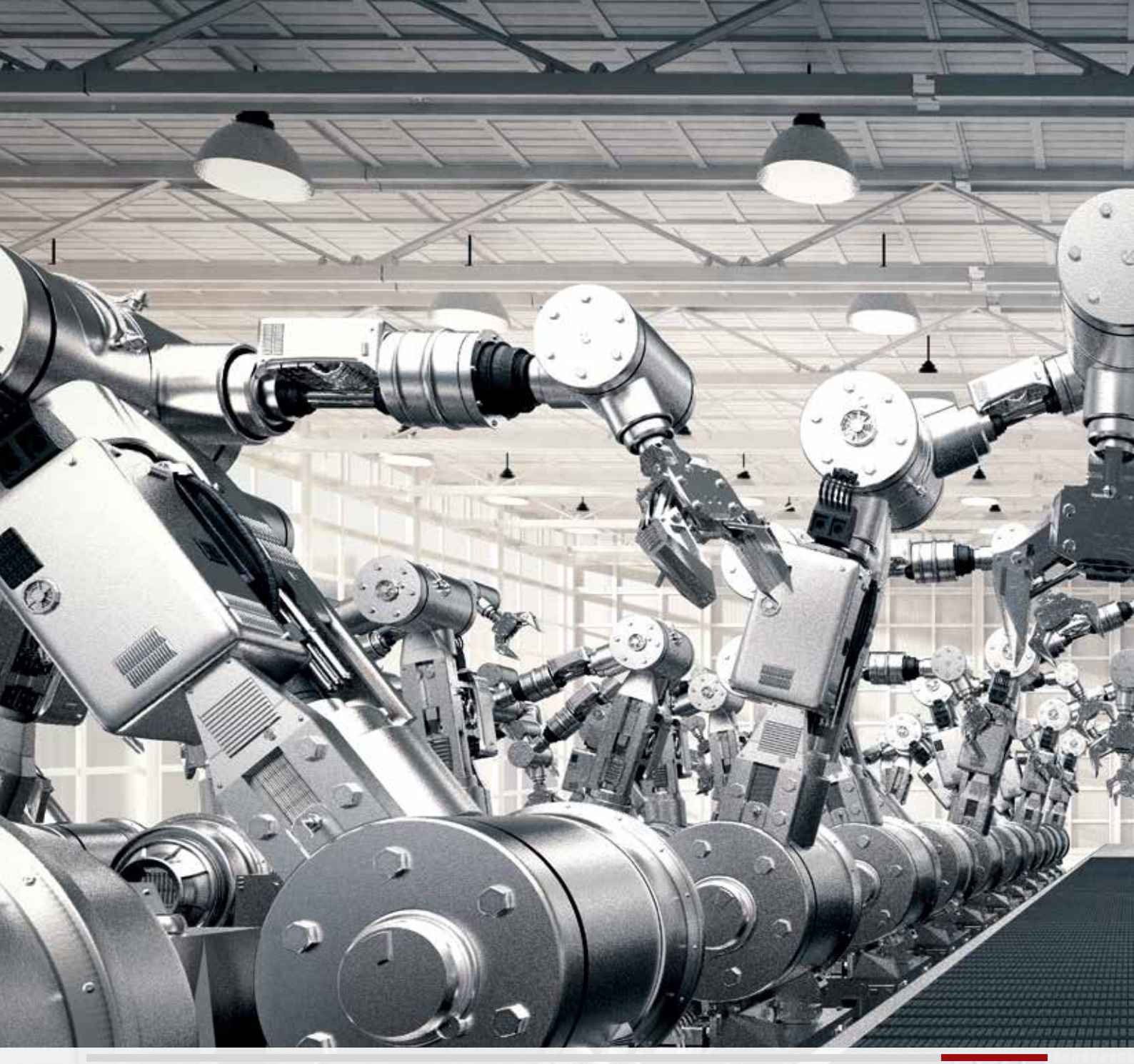
Companies (and especially boards) wishing to have a full understanding of their long-term risk profile cannot ignore ESG factors. The resources required to manufacture a product, for example, must be in place (and similarly priced) for many years into the future. The risks that may arise due to social inequities, or labour dynamics, must be adequately forecast. Public company board members are taking a more holistic view of the organisation than ever before, thinking (in some cases) beyond the fiduciary boundaries of shareholder return.

Based on these dynamics, feedback from investors and issuers, and the growing awareness of global regulators, it's clear to exchanges that a smart and strategic process of monitoring, managing, and reporting of ESG data is preferential. This is the way we can help to create better companies – and better markets – for years to come. ❇

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> Robert J Shiller:

Robotization Without Taxation?



The idea of a tax on robots was raised last May in a draft report to the European Parliament prepared by MEP Mady Delvaux from the Committee on Legal Affairs. Emphasizing how robots could boost inequality, the report proposed that there might be a "need to introduce corporate reporting requirements on the extent and proportion of the contribution of robotics and AI to the economic results of a company for the purpose of taxation and social security contributions."

The public reaction to Mrs Delvaux's proposal has been overwhelmingly negative, with the notable exception of Bill Gates, who endorsed it. But we should not dismiss the idea out of hand. In just the past year, we have seen the proliferation of devices such as Google Home and Amazon Echo Dot (Alexa), which replace some aspects of household help. Likewise, the Delphi and nuTonomy driverless taxi services in Singapore have started to replace taxi drivers. And Doordash, which uses Starship Technologies miniature self-driving vehicles, is replacing restaurant delivery people.

If these and other labour-displacing innovations succeed, surely calls to tax them will grow more frequent, owing to the human problems that arise when people lose their jobs – often jobs with which they closely identify, and for which they may have spent years preparing. Optimists point out that there have always been new jobs for people replaced by technology; but, as the



robot revolution accelerates, doubts about how well this will work out continue to grow. A tax on robots, its advocates hope, might slow down the process, at least temporarily, and provide revenues to finance adjustment, like retraining programs for displaced workers.

Such programmes may be as essential as our work is to healthy human life as we know it. In his book Rewarding Work, Edmund S Phelps emphasised the fundamental importance of maintaining a "place in society – a calling". When many people are no longer able to find work to support a family, troubling consequences ensue, and, as Mr Phelps stresses, "the functioning of the entire community may be impaired." In other words, there are externalities to robotization that justify some government intervention.

Critics of a robot tax have emphasised that the ambiguity of the term "robot" makes defining the tax base difficult. The critics also stress the new robotics' enormous, undeniable benefits to productivity growth.

But let's not rule out so quickly at least modest robot taxes during the transition to a different world of work. Such a tax should be part of a broader plan to manage the consequences of the robotics revolution.

All taxes, except a "lump-sum tax," introduce distortions in the economy. But no government can impose a lump-sum tax – the same amount for everyone regardless of their income or expenditures – because it would fall heaviest on those with less income, and it would grind the poor, who might be unable to pay it at all. So taxes have to be related to some activity indicative of ability to pay taxes, and whatever activity it is will be discouraged as a result.

Frank Ramsey published a classic paper in 1927 arguing that to minimise taxation-induced distortions, one should tax all activities, and he proposed how to set tax rates. His abstract theory has never been a fully operational principle for actual tax rates, but it provides a powerful argument against presuming that the tax should be zero for all but a few activities, or that all activities should be taxed at the same rate.

Activities that create externalities might have a higher tax rate than Mr Ramsey would have proposed. For example, taxes on alcoholic beverages are widespread. Alcoholism is a major social problem. It destroys marriages, families, and lives. From 1920 to 1933, the United States tried a much harsher market intervention: outright prohibition of alcoholic beverages. But it turned out to be impossible to eliminate alcohol consumption. The alcohol tax that accompanied the end of Prohibition was a milder form of discouragement.

Discussion of a robot tax should consider what alternative we have to deal with rising inequality. It would be natural to consider a more progressive income tax and a "basic income". But, these measures do not have widespread popular support. If support is not widespread, the tax, even if imposed, will not last.

When taxes on high incomes are raised, usually in wartime, it turns out to be only temporary. Ultimately, it seems natural to most people that taxing successful people to benefit unsuccessful people is demeaning to the latter, and even the recipients of the handout often do not really want it. Politicians know that: they usually do not campaign on proposals to confiscate high incomes and pad low incomes.

So, taxes must be reframed to remedy income inequality induced by robotization. It may be more politically acceptable, and thus sustainable, to tax the robots rather than just the high-income people. And while this would not tax individual human success, as income taxes do, it might in fact imply somewhat higher taxes on higher incomes, if high incomes are earned in activities that involve replacing humans with robots.

A moderate tax on robots, even a temporary tax that merely slows the adoption of disruptive technology, seems a natural component of a policy to address rising inequality. Revenue could be targeted toward wage insurance, to help people replaced by new technology make the transition to a different career. This would accord with our natural sense of justice, and thus be likely to endure. ❊

"To achieve factor-price equalisation, people need a stable base for a real lifetime career connected to a country in which they do not physically reside."

ABOUT THE AUTHOR

Robert J Shiller, a 2013 Nobel laureate in Economics and professor of Economics at Yale University, is co-author, with George Akerlof, of *Phishing for Phools: The Economics of Manipulation and Deception*.

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> Alissa Amico:

Corporate Governance at Saudi Aramco

Since the announcement last year that Saudi Aramco, the world's largest oil company and Saudi Arabia's corporate crown jewel, would go public, the media have been abuzz with speculation – and not just about the company's massive valuation. While the initial public offering is expected to happen in 2018, the timing – not to mention the approach the government will take – remains far from certain.

A short-term "fire sale" of a minority stake in Saudi Aramco does not appear to be warranted by Saudi Arabia's current macroeconomic situation. Given slightly higher hydrocarbon prices, lower government expenditures, and potentially higher tax receipts, many predict that the country's budget deficits will narrow. Sovereign borrowing is also expected to decline, in stark contrast to last year's record-high bond issuance.

Furthermore, the Saudi government has identified dozens of other state-owned enterprises (SOEs) to privatise, in order to help fill government coffers, deepen the equity market, and boost the private sector's role in the economy. Stimulating interest in the Saudi capital market with these listings prior to the Saudi Aramco IPO might be wise, given that IPOs throughout the Gulf region have slumped in recent years.

In any case, despite all the media speculation, the specifics of how and when Saudi Aramco will be privatised have not been considered thoroughly. Although the Saudi Stock Exchange, Tadawul, is by far the largest in the Middle East,



"Qualified foreign investors, having gained access to the Saudi market in 2015, still account for only 4% of the market's overall capitalisation today."

it is neither large nor open enough to handle the listing of Saudi Aramco, valued by the authorities at $2 trillion.

But size is not the only problem. Qualified foreign investors, having gained access to the Saudi market in 2015, still account for only 4% of the market's overall capitalisation today. Domestic retail investors account for 12% of that capitalisation – and are responsible for over 80% of overall trading activity.

These investors, together with Saudi institutional investors, are accustomed to the use of privatisation as a wealth-distribution mechanism. But Saudi Arabia is not pursuing Saudi Aramco's partial privatisation to move money from one sovereign pocket to another; it needs to raise fresh capital to finance its spending needs. Furthermore, a dual-pricing approach to privatisation – in which domestic investors are offered equity at a discount – could send the wrong message to international investors.

A further wrinkle in the pricing process, as Tadawul's ex-CEO Adel Al-Ghamdi recently pointed out, is that Saudi corporate law prescribes a fixed-par-value regime for all of the country's IPOs. Since domestic retail investors expect such pricing, they may be reluctant to accept Saudi Aramco's much higher share price.

The mainstream media have left these issues largely unaddressed, preferring to focus on issues of governance. It is commonly assumed that a key impediment to Saudi Aramco's international listing is that Saudi corporate-governance standards are low, and that the Saudi authorities are therefore "shopping around" for an exchange with similarly low standards. But the truth is that Saudi governance standards are more rigorous than those that would be imposed on Saudi Aramco by an international exchange.

In fact, Saudi Arabia's corporate-governance rules, last revamped in February 2017, are among the strictest and most rigorously enforced in the Middle East and North Africa region. Unlike other regulators in the region, Saudi Arabia's Capital Market Authority issues and discloses its enforcement actions, which have recently included criminal sanctions. The CMA's approach is exceptional in the Gulf region, because it takes the same approach to SOEs and private firms.

The truth is that most international listing standards are in many respects inferior to those of Saudi Arabia. For example, whereas listed Saudi companies have separate CEOs and board chairs, over half of S&P 500 companies in the United States are led by a single chair/CEO.

Even if Saudi Arabia does choose an exchange with high corporate-governance standards for its secondary listing, Saudi Aramco could be exempted from that country's requirements. As competition for high-profile international listings among exchanges heats up, the temptation to water down standards and regulations for dual listings is becoming stronger.

Just recently, the United Kingdom's financial watchdog announced that it is considering a new listing segment for international companies that would enable them to obtain a London listing without complying with domestic governance standards. The announcement highlights the risk of a regulatory race to the bottom, driven not just by Saudi Aramco's impending listing, but also by financial deregulation in the United States and fears about Brexit's consequences for the City of London.

It seems clear, therefore, that improvements to Saudi Aramco's corporate governance do not rest, on which international venue the authorities choose for the secondary listing, as is commonly assumed, but on whether the company will be required to meet domestic standards. Because the Saudi capital market's credibility depends on the credibility of the Saudi Aramco listing, it is critical that Saudi Arabia holds Saudi Aramco to domestic governance standards.

It is encouraging in this regard that Saudi Arabia has quietly made major improvements to Saudi Aramco's corporate governance in the last two years. For example, until 2015, Saudi Aramco was overseen by the Supreme Petroleum Council, which included senior members of the Royal Family and government ministers; now, the company is overseen by a board of nine directors, three of whom are outsiders. In a region where SOEs often operate with no board of directors at all, this is a significant move.

Continuing on this path, and ensuring that Saudi Aramco fully meets the country's stringent domestic standards, would be in line with the motives behind the company's privatisation, which include, as Saudi Deputy Crown Prince Mohammed bin Salman has explained, increasing transparency. With the state planning to retain a 95% share of Saudi Aramco, ensuring equitable treatment of all investors, as provided by Saudi corporate-governance rules, could not be more important. ❊

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> Yanis Varoufakis:

Europe's Illiberal Establishment



On March 25, Europe's leaders convened in the birthplace of the European Project to celebrate the 60th anniversary of the Treaty of Rome. But what exactly was there to celebrate?

Were they revelling in Europe's disintegration, which they now call multi-speed or variable geometry Europe? Or were they there to applaud their business-as-usual approach to every crisis – an approach that has fanned the flames of xenophobic nationalism throughout the European Union?

Even dyed-in-the-wool Europhiles admitted that the Rome gathering felt more like a wake than a party. A few days later, British Prime Minister Theresa May sent her letter to the EU formally triggering the United Kingdom's slow but irreversible exit.

The liberal establishment in London and around the continent is aghast at how populism is tearing Europe apart. Like the Bourbons, they have learned nothing and forgotten nothing. Not once did they pause for critical self-reflection, and now they feign shock at the legitimacy gap and the anti-establishment passion that threatens the status quo and, consequently, their authority.

Back in 2015, I often warned Greece's creditors – the crème de la crème of the international



Rome: Colosseum

"The liberal establishment in London and around the continent is aghast at how populism is tearing Europe apart."

liberal establishment (the International Monetary Fund, the European Commission, the European Central Bank, German and French officials, and so on) – that strangling our new government in its cradle was not in their interest. If our democratic, Europeanist, progressive challenge to permanent debt bondage were snuffed out, I told them, the deepening crisis would produce a xenophobic, illiberal, anti-European wave not only in Greece but across the continent.

Like reckless giants, they did not heed the omens. Greece's brief rebellion against permanent depression was ruthlessly suppressed in the summer of 2015. It was a very modern coup: EU institutions used banks, not tanks. Unlike the coups that overthrew Greece's democracy in 1967 or Czechoslovakia's Prague Spring a year later, the usurpers wore suits and sipped mineral water.

The official version of these events was that the EU was obliged to intervene to force a wayward population back to the path of fiscal rectitude and structural reform. In reality, the coup leaders' main concern was to avoid admitting what they had been doing since 2010: extending a generalised bankruptcy into the future by forcing Greece to accept new, European taxpayer-funded loans, conditional on ever-greater austerity that could only shrink Greek national income further.

The only way to continue doing this in 2015 and beyond, however, was to push Greece deeper into insolvency. And that required crushing our Greek Spring.

Interestingly, the surrender document forced upon Greece's prime minister, and approved by parliament, was phrased as if it had been written at the request of the Greek authorities. Like Czechoslovakia's leaders in 1968, forced by the Kremlin to sign a letter inviting the Warsaw Pact to invade their country, the victim was required to pretend that it had requested its punishment. The EU was only responding kindly to that request. Greece experienced collectively the treatment Britain's poor receive when they claim benefits at job centres, where they must accept responsibility for their humiliation by affirming condescending platitudes such as: "My only limitations are the ones I set for myself."

This punitive turn on the part of the European establishment was accompanied by the loss of all self-restraint. As Greece's finance minister, in early 2015, I learned that the salaries of the chair, CEO, and members of the board of a public institution (the Hellenic Financial Stability Facility [HFSF]) were stratospheric. To economise, but also to restore fairness, I announced a salary cut of around 40%, reflecting the average reduction in wages throughout Greece since the start of the crisis in 2010.

The EU, usually so keen to shrink my ministry's outlays on wages and pensions, did not exactly embrace my decision. The European Commission demanded that I reverse it: after all, these salaries went to functionaries selected by EU bureaucrats – people they considered their own. After the EU forced our government into submission, and following my resignation, those salaries were raised by up to 71% – the CEO's annual pay was bumped to €220,000 ($235,000). In the same month, pensioners receiving €300 per month would have their monthly benefits cut by up to €100.

Once upon a time, the liberal project's defining feature was, in John F Kennedy's stirring words, the readiness to "pay any price, bear any burden, meet any hardship, support any friend, oppose any foe, in order to assure the survival and the success of liberty." Even neoliberals, like Ronald Reagan and Margaret Thatcher, strove to win hearts and minds, to convince the working class that tax cuts and deregulation were in its interest.

Alas, following Europe's economic crisis, something other than liberalism, or even neoliberalism, has taken over our establishment, seemingly without anyone noticing. Europe now has a highly illiberal establishment that does not even try to win over the population.

Greece was just the start. The repression of the Greek Spring in 2015 led the left-wing Podemos Party to lose its momentum in Spain; no doubt many of its potential voters feared a fate similar to ours. And, having observed the EU's callous disregard for democracy in Greece, Spain, and elsewhere, many supporters of Britain's Labour Party went on to vote for Brexit, which in turn boosted Donald Trump, whose triumph in the United States filled the sails of xenophobic nationalists throughout Europe and the world.

Now that the so-called liberal establishment is feeling the nationalist, bigoted backlash that its own illiberalism brought about, it is responding a little like the proverbial parricide who appeals to the court for leniency on the grounds that he is now an orphan. It is time to tell Europe's elites that they have only themselves to blame. And it is time for progressives to join forces and reclaim European democracy from an establishment that has lost its way and endangered European unity. ❊

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> Tor Svensson:

Geopolitical Risk & Good Governance



Wealth managers are meant to protect and grow capital. In a world of near-zero and even negative interest rates, their job got a lot harder. With mounting tensions and a proliferation of hotspots across the globe, they now must also factor into their equations a new parameter: geopolitical risk.

At the Opal Private Office Wealth Symposium, held early February in London, the expert panel was asked the question: What are the current geopolitical risks that need to be taken into account? Alas, the sell-by date of any answer proffered is usually quickly overtaken by unfolding events.

A few definitions may perhaps help clarify, and solve, the panel's quandary. Geopolitics takes places on the intersection of geography and the projection of power. The latter comes in three distinct, though interlinked, forms: military, economic and political.

Though geopolitics was of late considered a dark science, mostly the preserve of armchair generals and other odd-ball warmongers, it has once again become a respectable pursuit. Contemporary geopolitics is mostly concerned with one question only: Is humanity once again sleepwalking into a world war? Ancillary issues under review concern the threat of global cyberwar and how to avoid localised conflicts from spilling over into much larger theatres.

As the world gets smaller and flatter as economies converge (e.g. the rise of Asia), countries have been drawn into interdependencies. Autarkic states are a rarity and sovereignty is no longer absolute. Supply chains crisscross the world, largely ignoring borders. They are, however, quite weak and may easily be broken by war or natural disaster. In fact, any accident – geopolitical or otherwise – may almost instantly cause severe shortages of essentials such as food and energy, leading to civil unrest. As the saying goes: the world is but three meals away from anarchy. As German poet and playwright Bertolt Brecht reminded us: *Erst kommt das Fressen, dann kommt die Moral* (Fodder comes first, then come Morals).

War is seldom initiated by the generals. It is too important a pursuit to be entrusted to the military. Geopolitics is not driven by the uniformed class; it is powered by economics. As such, China's wobbly financial system,



BUY/LONG	AVOID
Stocks	Bonds
USD, CHF, JPY	EUR, GBP, Emerging Economies' Currencies
Stock Index Trackers	Diversified Mutual Funds
REIT	Hedge Funds
Top Global Brands (Market Leaders)	Start-Up, VC, Small Growth, Private Equity
ESG-Investing in E.M. with WBG Partner	Direct E.M. Investing (Africa)

BUY/LONG (Equities)	AVOID/SELL (Equities)
US, Canada, Chile, (Colombia)	Latin America
Scandinavia, Emerging Europe	Southern Europe (PGS)
India	BRCS
Australia, Singapore, South Korea, Vietnam	Stans, Thailand, Philippines
UAE, Kuwait, Morocco	MENA (KSA, Egypt, Tunisia, Libya, Yemen)
Kenya, Tanzania (Stock Exchange Listed)	Sub-Saharan Africa (Nigeria, RSA, Zimbabwe)

perhaps the mother of all bubbles, constitutes a geopolitical risk. Rising inequality also undermines global stability. In January, Oxfam found that just eight men – a group that fits comfortably into a single people carrier – boast a combined wealth equivalent to the possessions of the world's less fortunate 3.6 billion people. Ignoring the lessons that history has to offer, the new US administration is about to rewrite the country's tax code in such a way that inequality is bound to increase even more. Great civilisations have been overturned for less.

Another risk is formed by the inability of weaker countries to attract foreign investment. Take Egypt with its buoyant demographics – the country stands in dire need of investment in order to spur development and create the jobs that keep its people off the streets and away from mischief. Yet, Egypt finds it increasingly difficult to entice foreign investors who are – understandably – scared off by sectarian violence, amongst a host of other societal ills.

New research, presented at the 2017 Annual Investment Meeting (AIM) in Dubai, shows that foreign direct investment (FDI) increases once development gets underway and – once it starts flowing – provides for greatly accelerated rates of economic growth. FDI needs well-functioning societies that encourage innovation, ensure good governance, and have a skilled work force.

A perfect example of good governance is South Korea – a country singularly deprived of natural resources. Beacons of good governance can be found in the developing world too: Chile and Uruguay in South America, and Botswana and Namibia in Africa.

These countries are not inimical to private business and adhere to the rule of law with little corruption and an independent judiciary. Interestingly, foreign investors are likely to reinvest their returns into the local economy when they feel welcome and protected.

Brazil is now facing up to its past thanks to an activist federal judge who hounds corrupt politicians and businessmen and puts them behind bars. Spain is doing likewise and even tackled misbehaving royals. Whilst blessed with a grand civil service, India has long struggled with governance. The country is now, however, cutting red tape and doing away with much of its restrictive legislation that has hampered development for decades.

In London, we discussed geopolitical hotspots such as Russia, Syria, North Korea, China, and (…) the United States. Discovering that his powers to set and implement his domestic agenda are severely limited by a recalcitrant congress, President Trump may well turn to foreign adventurism (to use a phraseology popular in China) where he enjoys much more leeway. In fact, he has already done so dropping bombs and missiles on Syria and Afghanistan and subjecting nonconformist North Korea to good old fashioned gunboat diplomacy.

Where does this leave the poor investors? At the Opal Private Office Wealth Symposium, I tentatively suggested shunning bonds while embracing stocks. In uncertain times, the smart money often moves back to the basics. This means steering well clear of unproven ventures such as start-ups and prioritising best-in-class brand name companies with proven track records.

It is vitally important to understand the difference between real and perceived risk. For instance, many frontier economies sustain low debt ratios and are thus considered less risky. However, poor governance promptly negates that advantage.

Risk management and mitigation now include ESG parameters that ensure sustainability. In fact, ESG covers a comprehensive range of touchstones that together paint a sharp snapshot of a country's ability to host investors. Good governance – and we've said that repeatedly – continues to be the one key that unlocks lasting development. ❇

ABOUT THE AUTHOR

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Risk Disclaimer: The two tables above are slides from a prior professional investment conference (Opal, February 2017) and here just used for illustrative purposes only and not as guidance for investing. They are only meant for an audience of professional investors. Investments can go up and down in value and investors can lose all their funds.

> Book Review -

A World in Disarray: American Foreign Policy and the Crisis of the Old Order

A World in Disarray

By Wim Romeijn

Moving at a disconcertingly accelerated clip, contemporary reality encroaches on visions of a dystopian world until recently confined to the realm of horror fiction. Featuring newspeak, doublethink, and memory hole – all currently accepted practices – George Orwell's Nineteen Eighty-Four, first published in 1949 and never out of print, again shot to the top of bestsellers lists, as did Margaret Atwood's The Handmaid's Tale (1985) which depicts life in New England – a theocratic military dictatorship which takes power, scraps the constitution, and reduces women to mere vessels for breeding.

In fact, Amazon's Top 10 in Political Fiction is crowded with rediscovered works on the fragility of democracy and civilisation. Perhaps as powerful as Nineteen Eighty-Four and Animal Farm, Sinclair Lewis' It Can't Happen Here (1935) – the number three bestseller on the list – offers a chilling read as it details the rise to power of Berzelius Windrip who defeats the liberal incumbent with an appeal to patriotism and family values, promising radical social and economic reform, only to impose totalitarian rule on Washington.

Whereas a few years ago such apocalyptic visions were rather easily dismissed, the pronounced cognitive dissonance that afflicts increasingly large blocks of voters from the United States to France, the United Kingdom, the Netherlands, and elsewhere has severely unhinged liberal certainties, ushering in an era of topsy-turvy truths and steroid-boosted spin.

The centre has ceded its ground as the margins moved mainstream. That is the central tenet of A World is Disarray by Richard Haass, president of the Council of Foreign Relations and senior Middle East policy advisor to President George HW Bush. Whilst Mr Haass reviews and analyses global affairs with commendable calm and reason – he is not one to hit the panic button at the first sign of trouble – the author concludes that the global trend slides towards declining order. He detects a departure from four centuries of diplomatic history and practice with the emergence of a multipolar world characterised by ambitious and assertive regional powers that are willing to sacrifice democratic principles and diplomatic convention in order to meet their manifest destinies.

> "Instead of cutting a straight ditch through a flat desert, the Panama Canal required engineers to battle mountainous terrain, covered by dense jungles, and crisscrossed by rivers that turned into raging torrents during the wet season – eight months out of the year."

Mr Haass also notes the growing gap between challenges and responses at both global, regional, and national levels. This, in turn, leads to political dysfunction as established structures are unable to deal with technological innovation, environmental changes, and the reordering of geopolitical forces. Focused on US foreign policy, Mr Haass expects his country to experience difficulties in designing and implementing an agenda that can lessen global tensions and help the world avoid conflict – for better or worse, the manifest destiny of the United States.

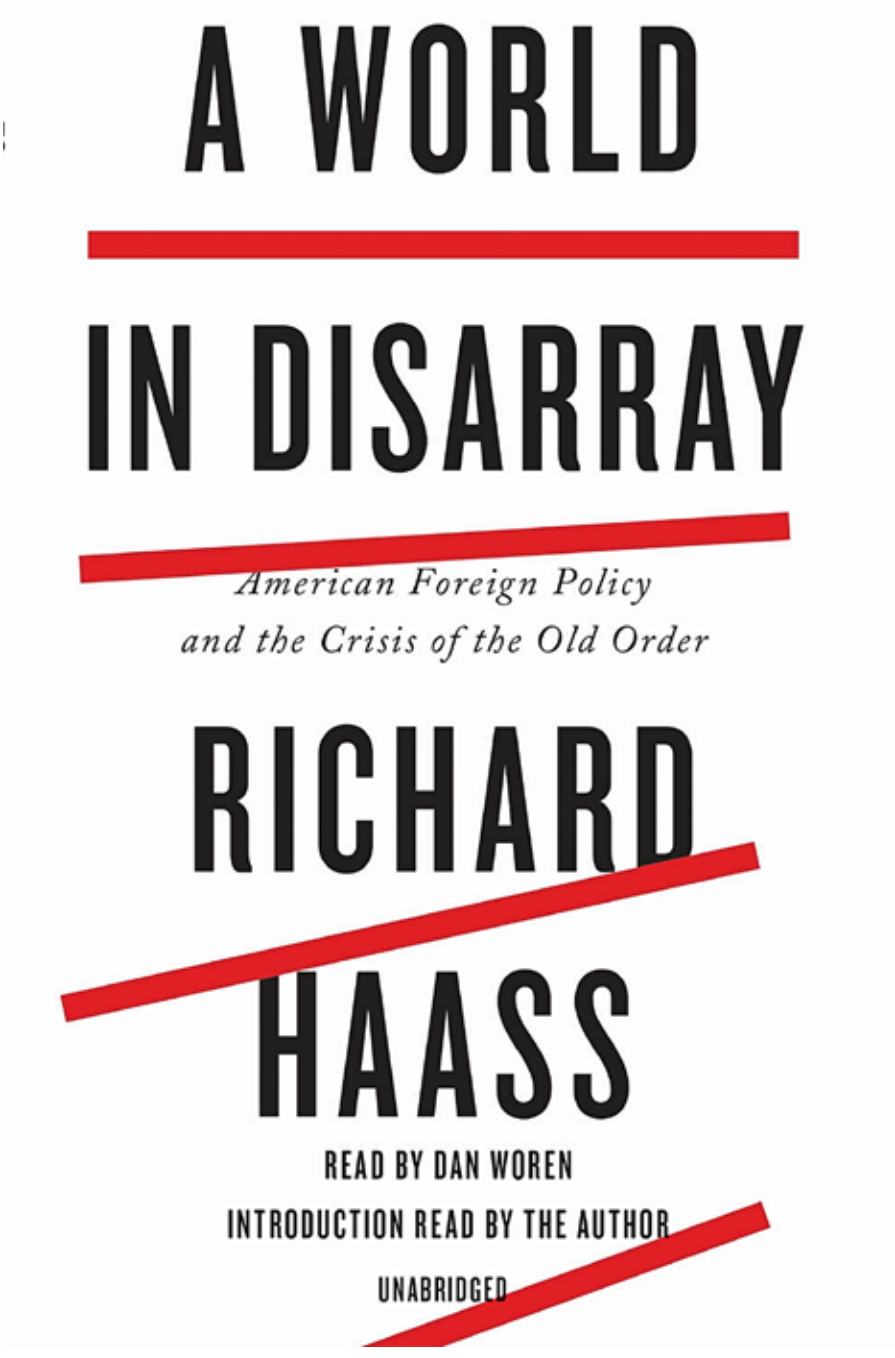
Writing in the wake of Henry Kissinger (World Order, 2014) and Zbigniew Brzezinski (Strategic Vision. America and the Crisis of Global Power, 2013), Mr Haass also stresses the historical context against which today's developments unfold. Curiously, he remarks, the world becomes ever more fragmented as it gets interconnected. Instead of cultural dialogues, the global village has descended into a cacophony of monologues.

A case in point Mr Haass introduces is Britain's attempt to extract itself from the European Union – an exercise he deems foolish. Speaking on CNBC television's Squawk Box, the author recently explained that, melodramatics aside, "the European project is three quarters of a century old. People take its peace and prosperity for granted. There is too much emphasis on the negatives of the EU such as the inefficiencies and over-regulation. However, this is playing with history and people are going to look back on this and consider it a colossal mistake."

According to Mr Haass, Brexit shows the perils of governing by referendum: "People went to the polls without the full understanding of the

"Setting to work with admirable efficiency, the Americans for the first few years carefully avoided digging the canal, preferring instead to put into place infrastructure required for a project of this magnitude."

"Contrary to the official story, the first ship to navigate the canal was not the stately SS Ancon, but the Alexandre La Valley, a decrepit French crane boat which made the historic 77-kilometre journey under its own power on January 7, 1914."



consequences of what they were setting in motion. In fact, a considerable number of voters just wanted to express their disapproval of the general state of affairs in the nation. In other words: voters provided an answer to a question not asked. That is no way to determine any nation's destiny."

Mr Haass sees the United States playing a necessary, and possibly even indispensable, role in carrying a large portion of the burden of creating and maintaining order at regional and global level. Domestic dynamics, such as the election of "America First" Donald Trump, threaten to remove the United States from the equation. That, to Mr Haass, is a problem: "No other country or group of countries has either the capacity or the mind-set to build a global order and maintain it."

The Trump Administration would be well advised to tone down the rhetoric and show loyalty to its allies. "If America comes to be doubted, it will inevitably give rise to a very different and much less orderly world," says Mr Haass, who predicts two possibly reactions: some lone countries would inevitably fall under the sway of more powerful states, whilst others – already part of a larger entity – can be expected to take matters into their own hands in ways that may not serve US objectives or those of a stable world order. Mr Haass thinks that both options undermine the delicate balance of power and thus promote disarray: "The two together are nothing short of toxic."

Sadly, whilst a keen observer, Mr Haass is somewhat less gifted when it comes to providing effective solutions or pointing the way forwards. It is all well and good to depict President Vladimir Putin of Russia as a subversive who willingly and knowingly undermines global order, Mr Haass offers few suggestions on how to deal with the Kremlin and shield Russia's neighbours from its advances without risking a major conflagration. The same goes for trigger-happy Kim Jong-un in North Korea and his puppeteers in China.

Here's a suggestion though: as long as most western powers engage in navel-gazing – plying domestic audiences with platitudes, fake facts, jingoistic slogans, and cheap remedies to complex issues – they lose the right to claim the moral high ground from where to lecture the less-well enlightened. The Trumps, Farages, Le Pens, and Wilders of this world are, in fact, little better than the fictional President Windrip in Lewis Sinclair's It Can't Happen Here who relentlessly attacks his liberal enemies for adding layers of subtlety and complexity to issues and problems he simply cannot grasp. Just like the rest of us – and that's the scary bit. ❊

A World in Disarray: American Foreign Policy and the Crisis of the Old Order by Richard Haass (Penguin Putnam – 352pp – £21.99 – ISBN 978-0-3995-6236-5)

Donald Trump:

The Art of the Compromise

By Wim Romeijn

Slowly the grandeur, reach, and awesome power concentrated in the office of the presidency sinks in as the Trump Administration nears and passes the hundred-day mark, gains gravitas, and probes the limits of executive action. The loony fringe which claimed the West Wing in the hectic days following the inauguration is being shoved aside and replaced by more knowledgeable and, presumably, stable people who do not let ideological dogma stand in the way of reason – and results.

Whilst the POTUS doggedly sticks to his combative style, the president does show encouraging signs of entrusting the business of governing to "the grown-ups" – a recently identified faction that coalesced around General HR McMaster who took over as national security adviser from President Trump's original appointee, General Michael T Flynt, forced to resign after only 24 days in office over allegations he misled Vice-President Mike Pence about the nature of his contacts with the Russian embassy in Washington.

General McMaster wasted no time in ejecting Steve Bannon, the administration's chief strategist, from the National Security Council and removing Kathleen McFarland from her job as deputy national security adviser. Meanwhile, presidential councillor Kellyanne Conway, gusher-in-chief, a firm believer in outlandish conspiracy theories, and skilled propagator of fake news, has been kept away from the cameras to spare her – and the administration – further embarrassment.

White House Chief of Staff Reince Priebus is also being tagged for imminent removal after the president reportedly grew annoyed at his meddling with the FBI investigation into the Trump campaign's alleged contacts with Russian intelligence. The nationalist faction – Steven Bannon et al – has been engaged in a covert war against Mr Priebus whose loyalty, it is suspected, lays with the Republican Party and its wealthy donors rather than with the president. The chief of staff also receives flak for bringing Sean Spicer, the singularly clumsy White House press secretary, into the administration.

As Trump's entourage of political featherweights and assorted right-wing ideologues manoeuvers for access to the president and set his agenda, the need to address real-world problems steers the administration towards a much more pragmatic attitude – and causes it to embrace policies and viewpoints previously dismissed as damaging to US interests. It is thus that the Trump Administration managed to perform a spectacular foreign policy U-turn ending its brief dalliance with isolationism.

NATO was suddenly back in the US president's good graces: "I said it's obsolete. Now it's no longer obsolete." President Trump explained, with iron



President Donald Trump and Vice President Mike Pence

logic and not a trace of irony, that he considers the treaty organisation "the bulwark of international peace and security". The remarkable volte-face – or How Trump Learned to Love NATO – came after two of the administration's top generals, National Security Adviser HR McMasters and Secretary of Defence James Mattis, reminded the president that the organisation has its uses – such as to keep marauding Russians in check.

With bipartisan consensus on defence re-established, to the detriment of the nationalist faction, President Trump moved swiftly to reassert US power, flinging 57 Tomahawk cruise missiles into Syria, dispatching a carrier taskforce to North Korea, and dropping the world largest non-nuclear bomb on a Taliban hideout in Afghanistan.

In other flips, China and Mexico were told not to worry about trade, Russia received word that détente is no longer on the agenda, and even Federal Reserve Chairperson Janet Yellen – whom the president had vowed to replace at the earliest opportunity – merited kind words and was lavishly praised for keeping interest rates low.

Trump the outsider seems to have departed the White House as the administration raced to embrace mainstream political and foreign policy positions that were only weeks ago publicly abhorred. "Circumstances change," explained Press Secretary Sean Spicer peevishly. The reversals came only days after the New York Post published an exclusive interview with President Trump in which he – for the first time and to everybody's astonishment – criticised his political guru Steve Bannon, a former investment banker and co-founder of the ultra-conservative and xenophobic Breitbart News website – home to the alt-right movement.

"I like Steve, but you have to remember he was not involved in my campaign until very late. I had already beaten all the senators and all the governors, and I didn't know Steve. I'm my own strategist. Steve is a good guy, but I told them to straighten it out or I will." With the last bit, Donald Trump referred to the clashes between Mr Bannon and Jared Kushner, senior adviser to the president and, more importantly, his son-in-law. With his wife Ivanka Trump, Mr Kushner leads the centrist faction in the White House which also includes Chief Economic Adviser Gary Cohn, a former Democrat and president of Goldman Sachs between 2006 and 2017.

Mr Bannon, in the process of being marginalised, received a further put-down when President Trump bluntly described him as "a guy who works for me" in an interview with the Wall Street Journal. It is not just Mr Kushner and the centrists who Steve Bannon and his band of rebel rousers have to face off; they are also fighting against the traditional power brokers of the Republican Party – the old guard of the GOP (Grand Old Party) – globalists who are used to projecting power both domestically and internationally. This establishment is squarely at odds with the protectionism, isolationism, and xenophobia espoused by Mr Bannon's nationalists.

As a businessman and dealmaker, President Trump clearly understands the dynamics of politics: ask a lot and give a little while hammering out an agreement – ideology comes into the equation only sideways, if at all. The president has little time for detail: after a brief on North Korea, he simply concluded that it was "complicated". Apparently, that was all President Trump needed to know before consigning Kim Jong-un to the Bad Guy category. The Chinese were simply told to straighten their friend out or expect the US to "take care" of the problem.

Whilst the Trump Administration's monochromatic and easily-swayable worldview may be branded simplistic, to dismiss it as ineffectual, dangerous, or irresponsible is to miss to point of leadership: to gain a bird's eye view of any given situation, chart the options, and take a decision. Getting bogged down in minutiae, carefully weighing the pros and cons, and plotting a course of action that minimises both risk and exposure – the hallmark of the Obama Administration – is not likely to obtain the desired outcome. It is also not the Trump Way.

Simple pragmatism was how another much-derided US president forced a long-overdue end to the Cold War. Ronald Reagan also saw the world in us-and-them terms. It allowed him to face down the bad guys by pointing at his many

pointy missiles while behaving like a reckless fool ready to upset the apple cart just for the heck of it. In what proved to be the greatest role of an otherwise unremarkable acting career, President Reagan managed to thoroughly confuse and disarm his opponents.

President Trump is possibly cut of the same cloth. Immediately after the inauguration, White House briefers were told their new boss was more of a visual and auditory learner – message: reduce the word count and explain by pictures and graphics. A picture of a child killed by poison gas in Syria gets the president's attention; an essay on the country's fractured political scenery does not.

Domestically, the flip-flop on the Affordable Care Act – aka Obamacare – was the result of the president losing patience over the many alternative proposals put forward in congress and containing a bewildering number of clauses dealing with the tiniest of details. Whilst congress was just doing its thing – working out complex compromises between the differing interests of constituencies – President Trump lost interest and moved on to the next topic.

Burdened, or blessed, with a famously short attention span, the president is happy to leave the details to others – setting broad policy guidelines and delegating executive powers to more knowledgeable others. This is precisely where Steve Bannon went wrong: he should have known – but didn't – that the administration's first major executive decision had no chance of surviving a court challenge. The hastily implemented move to keep US-bound travellers from Islamic countries deemed hotbeds of terrorism out of the country – prompted by Mr Bannon and meant to flex the incoming administration's muscle – proved a classic case of presidential overreach and went horribly wrong only hours after it was announced with federal judges striking down the ban almost immediately.

Looking for more effective leaders in his entourage, President Trump turned to Secretary of Defence James Mattis, a Marine Corps general. Though known as Mad Dog Mattis, the general is not averse to words and, as an avid reader of history, takes inspiration from the career of General Lawton Collins – "Lightning Joe" – the US Army chief of staff during in Korean War. In a policy assessment published in 1969, General Lawton Collins wrote: "We rushed into Korea with no advance planning, and we stumbled into the ground war in Vietnam with uncertain footing. In neither case did we have any fully thought-out ideas concerning our objectives or the means we would be willing to expend to attain them. As each situation arose we extemporised, unsure what the next step would be, until we were far more committed than we had expected to be."
It is now up to General Mattis to caution his boss against military adventurism, or – failing that – to provide clarity of purpose. Perhaps the most unlikely of bibliophiles, General Mattis is by far the most bookish – even erudite – member of the Trump Administration, regularly ordering his subalterns to study classic works of history from TE Lawrence's Seven Pillars of Wisdom to Liddell Hart's histories of the First, Second, and Civil Wars: "The problem with being too busy to read is that you learn by experience, or by your men's experience – i.e. the hard way. By reading, you learn through others' experiences, generally a better way to do business, especially in our line of work where the consequences of incompetence are so final for young men. Ultimately, a real understanding of history means that we face nothing new under the sun."

Acquiring the art of the political and diplomatic compromise, Mr Trump has discovered that business and politics work by different rules. For starters, presidents lack the absolute powers available to CEOs. The constitution, and the vast system of checks and balances erected around it, blocks anyone from exercising autocratic powers. In fact, even the most powerful man in the world faces limitations.

Crashing full speed into a wall of hard constitutional fact understandably upset America's new CEO. However, his anger – as expressed in a series of increasingly paranoid tweets – slowly subsided and a more presidential, though yet far from statesman-like, figure has emerged. As his domestic agenda got stuck in the sand before even getting underway, President Trump turned to areas such as foreign policy and war – essential its armed extension – where he enjoys considerably more leeway and is able to act without involving congress.

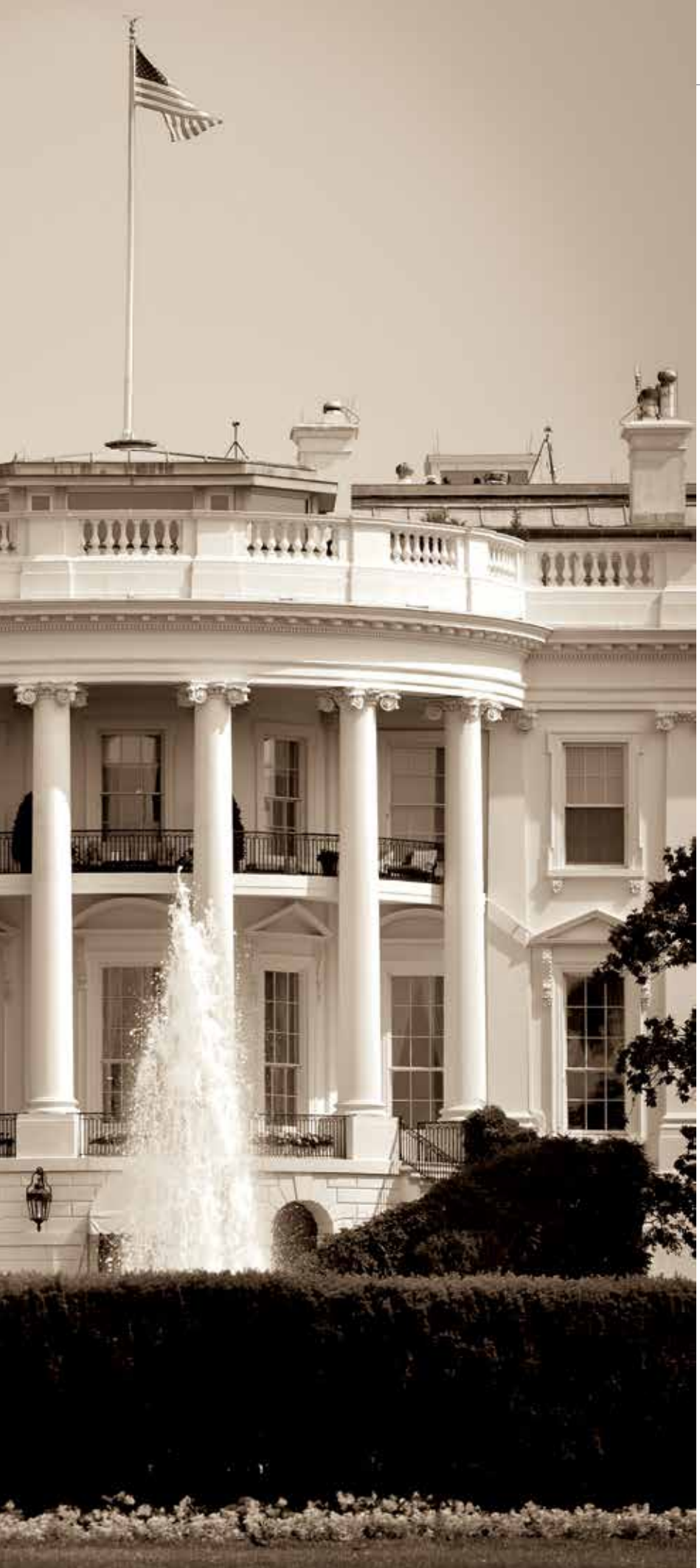
The problem for Mr Trump is that most voters couldn't care less about foreign affairs and distant wars; they want jobs, higher wages, healthcare, and Walmarts filled with plenty of cheap junk. The first domestic test that awaits the Trump Administration is the budget. Unless an agreement with congress is reached – involving compromises and a fair degree of pork-barrel politics – the US government will again face a potentially embarrassing shutdown. With Wall Street watching his every move, President Trump is now looking for ways to implement his tax reform and infrastructure plans.

If he can find, and heed to, good council, the president may discover that both plans can be realised rather swiftly and without suffering premature death by a thousand congressional cuts. Whilst Democrats may not cheer the proposed lightening of corporate America's fiscal burden, there is broad bipartisan support for increased infrastructure spending which, rather conveniently, offers ample scope for rewarding pliable members of congress. The required effort at coalition-building and reaching across the aisle could also provide the new administration with the political savvy it currently seems to lack – and which is required to honour at least some of Mr Trump's many campaign pledges.

Elected as the Man Who Gets Things Done,



The White House



President Trump cannot easily afford to ignore his supporters. It is what the nationalist faction – the Bannonites – having been saying all along. In that sense, the Trump Administration depends for its long (second) term survival on its more combative members. Steve Bannon's first act upon being shown his new office in the West Wing was to plaster its mahogany-panelled walls with large banners shouting key campaign promises: building a border wall, imposing adjustment taxes on imports from China and Mexico, scrapping environmental legislation deemed inimical to private business, dismantling Obamacare, and deporting millions of illegal aliens, amongst others.

Mr Bannon and his group of radicals stand accused – proudly so – of catering to the president's nasty side by Jared Kushner and his group of moderates. However, the jousting between the two factions is not a clash between left or right or any other part of the pollical spectrum; it is, rather, an argument over the essence of the Trump Presidency.

To Steve Bannon, Trumpism is about wrestling power away from corrupt corporate elites and the preservation of the Judeo-Christian core values that made America great. Born into a blue-collar family – at home in Virginia's Blue Ridge Mountains, the very heartland of Appalachia – Mr Bannon tirelessly advocates for "the deconstruction of the administrative state" by which he means to do away with cumbersome regulations and the agencies that write them. He displays a disconcerting interest in theories on the collapse of societies – from Easter Island's Rapa Nui to Central America's Maya and, in present times, the nations of Europe as they absorb millions of immigrants.

Mr Bannon is determined to hang on to his White House job – even as his power erodes – in order to remind the president of his campaign promises and caution him against the establishment types who try to undermine the disruptive agenda that underpinned the stunning triumph at the polls and depicted Donald Trump as the anti-establishment candidate.

Whilst it is true that Mr Bannon joined the election campaign after it had already knocked out most Republican contenders, he is justly credited with producing the winning strategy by placing Donald Trump in the race as the ultimate outsider – the swamp-draining saviour and America First champion who would break with continuity and block "crooked Hillary" from gaining access to the White House.

Though Jared Kushner initially shared this approach, he has since drifted to centerground ushered along by purely practical considerations, arguing – in, of all places, Forbes Magazine – that Trumpism is a figment of Mr Bannon's imagination: "My father-in-law transcends party labels. His policies offer a blend of things that actually work and eliminate what doesn't work."

In the battle between Trumpism and Trump The Man, ideology meets pragmatism. The former aims to keep President Trump to his word – good luck with that – whilst the latter proposes that American voters will thank the president for any improvements to their lives that he is able to deliver. In the end, the White House is run with both eyes firmly trained on the president's legacy – there is no other discernible purpose to the US presidency. ❊

Donald Trump and The End of History and The Last Man

By Wim Romeijn

Stripped of its fluff and hype, history is barely more than the smoothing of imbalances over time. The process inevitably moves society to a higher order of integration as contradictions gradually disappear and oppositions dilute. This dialectical view of ongoing human progress, espoused first by Georg Hegel and later expanded upon by Karl Marx, was in more recent times famously embraced by American political scientist Francis Fukuyama. Published 25 years ago and heralding the arrival of the be-all-end-all model of governance, *The End of History and The Last Man* was celebrated – and maligned – as the high point of fin-de-siècle Western triumphalism.

The ground-breaking study received acclaim and censure in almost equal measure – it remains, perhaps, one of the most misunderstood books of the post-war era. Mr Fukuyama promptly attracted hordes of followers and critics who either hailed or vilified his work and usually did so for all the wrong reasons.

Those on the right of the political spectrum, mostly neo-cons, hailed *The End of History* as definitive proof that the American Way – at the time understood to represent liberal capitalist democracy – had unambiguously come out on top as the best possible model of political organisation. Those on the left considered the book merely a pseudo-intellectual exercise to justify the imposition of a hyper-liberal dog-eat-dog world order – an economic jungle guided only by Darwinian principles that ensure the survival of the fittest and leave little to no room for the rest.

Francis Wheen, biographer of Karl Marx and columnist of Vanity Fair and The Guardian, was particularly acerbic in his dismissal of The End of History: "Understanding how to titillate the jaded palate of the chattering classes, Fukuyama is but a shill for neo-con interests. If you are going to be wrong, be wrong as ostentatiously and extravagantly as possible." Mr Wheen was by no means the only intellectual on the left to regard the book as a despicable attempt to cloak neoconservative hubris with the façade of inevitability.

Less tortured critics point to the rise of radical Islam, the travails of Western democracies, and China's newfound economic might as proof that history has not yet reached its endpoint. Indeed, currently unfolding phenomena such as Brexit and Trump seem to argue against Mr Fukuyama's bold assertion.

> "Those on the right of the political spectrum, mostly neo-cons, hailed The End of History as definitive proof that the American Way had unambiguously come out on top as the best possible model of political organisation."

TRIUMPH LOST

Far from celebrating the West's triumph in the aftermath communism's collapse, The End of History posits that Lenin missed a step and drew the wrong conclusion when he penned *Imperialism, The Highest Stage of Capitalism* in 1916 while in Zürich plotting a revolution. Though Mr Fukuyama agrees that the march of history must, due to its dialectal nature, eventually lead to the establishment of a universal homogenous state, imperialism and communism were just waypoints on the road to the liberal capitalist world order with elements of social democracy mixed in – the final and perfected form of human government which cannot be further improved upon. Thus, Mr Fukuyama argues that liberal democratic capitalism constitutes the final stage of historical synthesis: no less inherently contradictory form of society is possible.

The confusion concerns the distinction between history – as in histrionics (for lack of a better expression): periodic and continual minor contradictions and upheavals – and History (with an uppercase H): the underlying canvas on which human social existence unfolds. It also concerns a difference in speed: history travels at an accelerated clip whilst History moves at an almost glacial pace. To Mr Fukuyama, History constitutes a grand narrative of human development; a cumulative and clearly discernible process that stretches over eons from the dawn of humankind, slowly gathering speed, to the Dark Ages, the Renaissance, and the Enlightenment when secularism, egalitarianism, and rational thought (science) take root – leading, in turn and after many false starts, to contemporary liberal democracy.

PROGRESS

Mr Fukuyama strongly rejected the dialectical materialism – the notion that concrete wants and needs shape socioeconomic life and thus determine political reality – proposed as the driver of History by Young Hegelians such as Marx and Engels (though the ideological twins never used the term, preferring the rather unwieldy "materialist conception of history" instead). In The End of History, Mr Fukuyama suggests that the course of History is pushed along, often haltingly but all the same inexorably, by technological progress and its attendant market forces that ensure the efficient processing of information and thus the optimum allocation of resources. This, Mr Fukuyama affirms, explains how human society gets ahead. It follows that the political framework which best encourages technological advancement and allows markets to operate freely will ultimately prevail – irrespective of cultural or religious differences. Liberal democracy is the endpoint of History: nothing trumps it.

But wait, there is more.

US President Donald Trump – the Best, Most Awesome, Greatest, and Smartest Leader to ever take up residence in the White House – embodies a caveat Mr Fukuyama embedded in his study. More than his predecessors, President Trump displays an unusual spiritedness – thymos



in psychology – and a far-above-average need to be liked, respected, and recognised by others. A central theme in The End of History, thymos is what, according to Mr Fukuyama, propels history (with a lowercase h) along: some people insist on being thought of as the best; others will naturally resent them and push back, giving rise to strife. These alpha males demand respect, and if short-changed, start breaking things – and people.

Those displaying ample amounts of thymos – or even "megalothymia", the need to dominate others in often spectacular ways – ensure that the end of History does not imply the end of conflict or histrionics. Liberal democracy may indeed contain the fewest contradictions of any political model and therefore represent the highest achievable point of civilisation; thymos and its more extreme manifestations ensure that peace and stability will remain elusive.

To stick with President Trump: his megalothymia need not necessarily be a bad thing. After all, overbearing regals, self-appointed potentates, and others addicted to power trips have throughout the course of human history driven their people to greatness: founding empires, supporting vast artistic undertakings, and building lasting monuments to deities – or to themselves. While at it, these supermen (alas, precious few women) also pushed the course of History forwards.

OVER THE TOP

Where Mr Fukuyama possibly went wrong is the unforeseen failing of liberal democracy to keep a lid on thymos and keep the more forceful visionaries amongst us in check. The trouble is that, should History have reached its end with liberal democracy, any additional pushing could conceivably shove the carefully constructed edifice over the top and back down again.

At this point the Last Man of the book's title makes his appearance: a direct reference to Friedrich Nietzsche's comment that modern society – secular, egalitarian, rational, and rather boring – had "killed God" but failed to offer a replacement. The German philosopher, himself not without a formidable thymos, drew the conclusion that modern man – deprived of the sense and drive to achieve greatness – would become a small-minded pathetic creature seduced by easy comforts and pleasures in a self-obsessed and materialistic world. Look around and feel free to admire Nietzsche's remarkable prescience.

What his critics fail to appreciate is that Mr Fukuyama was not at all upbeat on the post-History future; in fact, he argued that the Last Man may well turn out to be a malcontent. Brought up in the lap of luxury afforded by liberal democracy, he/she could be expected to eventually rebel against the "masterless slavery" of mindless consumerism and the egalitarian society that denied them their thymos.

Mr Fukuyama predicted that such feelings of resentment would need a political outlet. President Trump – the Best, Most Awesome, etc. – is that outlet. The Occupy Movement with its egalitarian anti-capitalist agenda was simply not fit for purpose. Communism, a total failure without so much as a saving grace, was never an option. However, fascism – a term laden with negativity but seldom properly applied – proved a much better option, albeit in a more benign guise: neo-conservatism, alt-right, America First, and – why not? – Brexit: Take back control from the liberal elites who erase borders, practice cultural relativism, and preach globalism. Erect borders and walls instead and man the parapets with customs and immigration agents ready to impound and remove all that is alien, strange, and/or undesirable.

The End of History and The Last Man, still in print a quarter century after its release and a fixture of Amazon's Top 20 of bestselling political science books, remains peerless in its explanation not just of History but also of the contemporary world. Eerily prescient and unfailingly spot-on, Mr Fukuyama deserves credit for offering a well-founded explanation – firmly grounded in historical reality – for the disconcerting rise of populism and for charting its possible effects. ❊

Janet Yellen: Plotting Keynes' Revenge

By Wim Romeijn

Contrary to established wisdom, and perhaps tradition, Janet Yellen takes her cue from Main Street – not Wall Street. Immediately after taking over the chair of the Board of Governors of the US Federal Reserve System in February 2014, Mrs Yellen travelled to Chicago – not New York – where she delivered her maiden speech to an audience of urban planners, social workers, and volunteers engaged in revitalising the run-down neighbourhoods of the desperately poor West Side.

Financial pundits, whose trade includes analysing and interpreting the Fed chairperson's every move, quickly concluded that Mrs Yellen's unusual Chicago visit signalled a minute change in policy – the Fed shuns tectonic shifts – towards one more attuned to the needs of Joe the Plumber et al. The first woman to hold the chair of the Federal Reserve Board, Janet Yellen (70), is also the institution's most liberal chairperson since the Roosevelt and Truman Administrations when Keynesian avant la lettre Marriner Eccles held the job (1934-1948) and helped transform the US from a nation ravaged by depression into a victor glorified around the globe.

Thus is the power of the US Federal Reserve – understated, slightly opaque, but moving tens and hundreds of billions of dollars with a single word or gesture. Whilst it is not necessarily the Fed's role to crusade against urban poverty, its decisions – easing or choking off the supply of money – directly impacts economic growth and, with it, industrial activity, wages, and employment levels.

As with any other central bank, the Federal Reserve is charged with calming financial markets that, by their very nature, are jittery and prone to stampedes and even fits of mass delusion. Talking about her surprise trip to Chicago's West Side, Mrs Yellen confirmed the pundits' hunch that she wished to make a clear statement: "I wanted to emphasise in understandable terms that fighting unemployment is part of our mission."

The US Federal Reserve chairwoman is, however, not immune to the diktat of the (in) famous Phillips Curve – the empirical model that describes the inverse relationship between the rate of inflation and unemployment first charted by New Zealand economist William Phillips in 1958: higher rates of inflation tend to result in lower unemployment levels.

Central bankers the world over grapple with the resulting dilemma: their mission to maintain monetary stability runs counter to society's wish to provide full employment. Later research by

"Thus is the power of the US Federal Reserve – understated, slightly opaque, but moving tens and hundreds of billions of dollars with a single word or gesture."

Milton Friedman and others has shown that the Phillips Curve only applies to the short-term effects of monetary policy; over longer periods, inflation does not affect employment levels. Then again, it takes only a few years – at most – for politicians to be removed from office by disgruntled voters in case of failing policies. Ask Jimmy Carter.

Only in the last few months has the Federal Open Market Committee (FOMC) indicated that the accommodative interest rate policy, supporting the strengthening of the labour market, is now nearing its expiration date with three rate hikes expected next year as inflation creeps over the 2% target rate. However, the FOMC assured markets that the federal fund rate will continue to lag expected long-term rates for some time yet and that the Fed is not about to aggressively shrink its currently bloated balance sheet – a leftover from the quantitative easing (QE) era.

As the fundamentals of US monetary policy gradually shift from expansion towards containment, Mrs Yellen is called upon to provide expert guidance and a measure of brinkmanship since the recovery of the US economic is by no means robust. Whilst unemployment dipped to 4.7%, GDP growth remains stuck around the 2% mark – a rather meagre result after almost a decade of near-zero interest rates and massive QE cash injections.

The Fed chairwoman seems to realise that the moment to shine has arrived, or the Yellen Era is about to start. Hemmed in between a new administration eager to spend and the need to keep inflation in check, the Federal Reserve Board mulls offloading part of its $4.5tn asset portfolio of bonds and mortgage-backed securities built up during the Great Recession and currently rolled over.

The second tool at its disposal (after setting the benchmark federal fund rate), tightening the Fed's immense balance sheet would instantly drain money out of the economy. Hence, Mrs Yellen is called upon to deftly – and delicately – deliver a one-two punch without knocking out the still frail US economy. She is particularly well suited for the task at hand.

With a barely disguised passion for social justice and public policy – a rare trait in a central banker – Janet Yellen takes inspiration from James Tobin (1918-2002), advisor to the John F Kennedy Administration, board member of the Federal Reserve System, staunch Keynesian, and recipient of the 1981 Nobel Memorial Prize in Economic Sciences. Mrs Yellen went to Yale University in order to study under Prof Tobin who, unique amongst economists, displayed a passion for public policy and social justice: "Not beholden to mathematics and statistics, James Tobin never forgot the ramifications of data as it affects actual people."

After graduation, Janet Yellen landed a job at Harvard University as an assistant professor of the Economics Department. Unable to secure full tenure, she took up a temp position at the Federal Reserve in Washington and, in 1978, moved to Great Britain where she taught at the London School of Economics. With her new husband George Akerlof – recipient of the 2001 Nobel Memorial Prize in Economic Sciences for his contributions the behavioural economics – she returned stateside in 1980 to take up a teaching position at the University of Berkeley.

Called back to Washington by President Bill Clinton in 1994, Mrs Yellen was first appointed to the Federal Reserve Board of Governors and, three years later, to the chair of Council of Economic Advisors. After a stint as chairperson and CEO of the Federal Reserve Bank of San Francisco, Janet Yellen was made vice-chair of



Marriner S Eccles Federal Reserve Board Building

the Fed in 2009 by President Barack Obama. Tipped as the likely successor to Ben Bernanke, she was ushered into the top position a year later.

However, the appointment stirred up a measure on controversy during the senate confirmation hearings when Mrs Yellen received a thorough grilling over her failure to anticipate the impact of the housing bubble which burst in 2007-8 and caused the Great Recession. Whilst at the head of the Federal Reserve Bank of San Francisco, Mrs Yellen famously dismissed the possible abrupt deflation of house prices as "a bump in the road" which the Fed easily could handle by replicating its answer to the 1995-2001 Dot-Com Bubble when the tech-heavy NASDAQ share index rose to a peak of 5,132 points (March 2000) only to lose 78% of its value in the years that followed – evaporating close to $5 trillion in market value.

Though the crash of 2007-8 proved particularly severe and reverberated around the world, Mrs Yellen was proved right in asserting that the Fed's awesome powers managed to stabilise the economy and kept the financial system upright, albeit in a wobbly way.

Since the economy has now fully recovered, Mrs Yellen's Fed must clear the debris without bringing down the whole edifice. However, she is also pushing a second agenda: a reappraisal of the General Theory of Employment, Interest, and Money – the seminal work on macro-economic management published by British economist John Maynard Keynes in 1936.

Eschewing numbers and statistics, Mr Keynes came up with a simple and elegant way to skirt around the boom-and-bust cycles that have plagued markets since time began. Recognising that governments, due to their size, can determine the economic course of events by adjusting expenditure patterns, Mr Keynes suggested public spending increases at the onset of contraction – i.e. deficit spending – in order to support the market, whilst doing the reverse in boom times – i.e. taking money out of the market in order to pay off the debts incurred during the lean years.

This way, overall economic growth could be harmonised without periodic upheavals. What Keynes failed to anticipate was that most politicians grasped only the first part of the equation – the spending bit – but largely ignored the instalment that followed. Debunked by modern economics, Keynesianism has lingered on the margins of economic science since the terrible twins of the University of Chicago – Milton Friedman and Robert Lucas – set out to prove that government action was vastly overrated and could – at best – only influence markets over short periods of time. Messrs Friedman and Lucas turned the table on Keynes and, in time, convinced governments that all attempts at steering the economy constitute mere exercises in futility.



Chair of the Board of Governors of the Federal Reserve System: Janet Yellen

"Lucas and his followers believe that markets function well on their own and that the effect of Keynesian economic policy can only be harmful. In this framework, monetary policy is not even benign – it is perverse. This reasoning takes Keynesian economics and completely stands it on its head. It suggests that all monetary policy does is affect the economy – adversely – by fooling people. This is as radical a shift as can be imagined." Janet Yellen has decided to prove the fresh water economists of Chicago (as opposed to the salt water ones of Yale, Berkeley, and MIT) wrong: "Labour markets do not automatically work to the laws of supply and demand. Economic actors do not always behave in a mechanically rational way. Government – and specifically the Fed – can often manage the economy in ways that produce happier results than the markets would achieve on their own."

Ben Bernanke, a self-described neo-Keynesian, repeatedly explained: "Because wages and prices do not adjust quickly enough to keep the economy at full employment all the time, sometimes monetary and fiscal policies are needed to avoid long periods of unemployment."

The Keynesians were the accidental beneficiaries of the Great Recession that followed the Crash of 2007-8 with fresh water economists' abiding faith in the markets taking a hit. Markets suffered from a lack of regulation – the recession that followed was deeper and lasted longer as a result. Though New Keynesians did not predict the crisis, Ben Bernanke had a plausible explanation for that: "The crisis came from causes not captured by the New Keynesian models used at the Fed, such as excessive risk-taking in financial markets and failures of financial regulation and supervision. We had to figure out how to incorporate the effects of the crisis in our models."

Janet Yellen fully agrees with her predecessor: "People who believe that financial markets are fully efficient and financial firms are always well managed, are the same people who know what they're doing; they understand about risk, they're sophisticated. But the financial crisis really diminished the prestige of those who think that financial markets are always efficient and work extremely well. The Keynesian tradition and the line of research known as behavioural finance have come out of this crisis with greatly enhanced prestige in academia, and in institutions like this."

Ever combative, the Chicago School has now recovered from its defeat and warns about the danger of underestimating inflationary pressures, helpfully reminding Mrs Yellen that "only monetary hawks go to central-bank heaven". To keep rising price levels in check, the Fed needs to drain money out of the economy – as per Mr Keynes' prescription. QE has duly ended and interest rates adjusted upwards. However, Mrs Yellen remains cautious and reluctant to squeeze life out of the recovery. She seems to prefer a moderate degree of economic overheating to strict monetary probity.

Hers is certainly a lot quite different from that of Mario Draghi, president of the European Central Bank who is currently living the central bankers' ultimate dream: print money at will without any noticeable rise in inflation. However, Keynes leaves little doubt that the piper must be paid – eventually. It is, thus, only a question of the rate of repayment. Janet Yellen leans towards easy instalments and long loan maturities. After all, most of the Fed's balance sheet was acquired in the era of near-zero interest rates: free money – if there be such a thing. ❇

> The 45th US President In His Own Words

By Wim Romeijn

In *The Art of the Deal*, first published in 1987, Donald Trump, the 45th president of the United States of America, sums up his modus operandi: "My style of deal-making is quite simple and straightforward. I aim very high, and then I just keep pushing and pushing and pushing to get what I'm after. Sometimes I settle for less than I sought, but in most cases I still end up with what I want."

The self-proclaimed master negotiator now promises to bend the Chinese to his will and deport some eleven million illegal immigrants. He'll probably settle for a few million – give or take. In the Trump Era that got underway with the January 20 inauguration, nothing is quite what it seems. Thankfully, perhaps, the new US president is a pragmatist who will ask for the moon, but take whatever deal he can realistically obtain. As such, his boisterous proclamations and bluster need to be seen for what they are: opening bids that do not represent real value. The price or cost is only determined once a deal is reached. It is good to remember who President Trump is first and foremost: a shrewd businessman and dealmaker.

In his best-selling book – erroneously touted as the most-sold business book of all times – President Trump states that he never gets too attached to a single deal or approach. This explains how he started out as a Democrat in 1990, became a Republican nine years later, returned to the Democrat fold in 2004, and ended up back in the GOP in 2015. Last year, while on the campaign stump, Mr Trump settled the question: "Folks, I'm a conservative, but at this point, who cares?"

In a negotiation, everything is up for grabs: should pro-choice prove an inconvenience, try pro-life instead and see how that works out. Beliefs are mere bargaining chips, thrown in to exact concessions. Here's a wisdom from The Art of the Deal that could be of interest to Prime Minister Theresa May: "The worst thing you can possibly do in a deal is seem desperate to make it. That makes the other guy smell blood, and then you're dead."

> "Thankfully, perhaps, the new US president is a pragmatist who will ask for the moon, but take whatever deal he can realistically obtain."

An experienced practitioner of what he calls "truthful hyperbole", President Trump knows how to manipulate his opponents: "I play to people's fantasies. A little hyperbole never hurts. People want to believe that something is the biggest and the greatest and the most spectacular."

Make America Great Again! Build the Best Wall! Hispanics Love Me! No-one Respects Women More Than I Do! I'm Richer Than Anyone Can Believe! I'm the Greatest! I'm the Smartest!

In fact, Mr Trump is so smart that he has scant use for experts and their opinions: "I don't hire a lot of number-crunchers, and I don't trust fancy marketing surveys. I do my own surveys and draw my own conclusions." Still, the man is not a fool and recognises the perils of not delivering the goods: "You can't con people, at least not for long. You can create excitement, you can do wonderful promotion, you can get all kinds of press, but if you don't deliver the goods, people will eventually catch on."

As Hillary Clinton found out to her detriment, Donald Trump knows how to play the media too: "Most reporters, I find, have very little interest in exploring the substance of a detailed proposal for a development. They look instead for the sensational angle." Always ready to provide fireworks on demand, Mr Trump makes sure that the papers write about him and the cameras keep rolling to record his every move, adhering to the maxim that any press is always better than none. Taking this yet another step further, Mr Trump in 1991 confided to Esquire Magazine that it doesn't really matter what the media write as long as you've got a "young and beautiful piece of [expletive] at your side."

Connecting seamlessly to the man or woman on the street who has no time for subtleties, Mr Trump champions simple yet effective solutions to complex problems. In 2015, Mr Trump suggested on CNN that were he president, the might of the US Airforce would be unleashed on the oilfields that provide ISIS with ready cash: "You just knock the hell out of oil and take it back – all of it – and use the proceeds to care for veterans. We're going to have so much money!" In the same interview, Mr Trump also said that his approach would do away with the need to provide a large number of ground troops: "By the time I am finished, you wouldn't need 'em."

Still, President Trump is not all about high noon at OK Corral. In fact, he considers waging war the pursuit of losers and would much rather defeat antagonists at the negotiating table. The world may feel like it is moving perilously close to the edge, President Trump seems unfazed and will call anyone's bluff. The larger question is: what will he do when someone calls his? ❊

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> Nouriel Roubini:

America's Bad Border Tax



The United States may be about to implement a border adjustment tax (BAT). The Republican Party, now in control of the legislative and executive branches, views a BAT – which would effectively subsidise US exporters by giving them tax breaks while penalising US companies that import goods – as an important element of corporate tax reform. They claim that it would improve the US trade balance while boosting domestic production, investment, and employment. They are wrong.

The truth is that the Republicans' plan is highly problematic. Along with other proposed reforms, the BAT would turn the US corporate income tax into a tax on corporate cash flow (with border adjustment), implying far-reaching consequences for US companies' competitiveness and profitability.

Some sectors or firms – especially those that rely heavily on imports, such as US retailers – would face sharp increases in their tax liabilities; in



"The truth is that the Republicans' plan is highly problematic. Along with other proposed reforms, the BAT would turn the US corporate income tax into a tax on corporate cash flow, implying far-reaching consequences for US companies' competitiveness and profitability."

some cases, these increases would be even greater than their pre-tax profits. Meanwhile, sectors or firms that export, like those in manufacturing, would enjoy significant reductions in their tax burden. This divergence seems both unwarranted and unfair.

The BAT would have other distributional implications, too. Studies indicate that it may hit consumers among the bottom 10% of income earners hardest. Yet, it has been promoted as a way to offset the corporate-tax cuts that Republicans are also pushing – cuts that would ultimately benefit those at the top of the income distribution.

Making matters worse, the BAT would not actually protect US firms from foreign competition. Economic theory suggests that, in principle, a BAT could push up the value of the dollar by as much as the tax, thereby nullifying its effects on the relative competitiveness of imports and exports.

Moreover, the balance-sheet effects of dollar appreciation would be large. Because most foreign assets held by US investors are denominated in a foreign currency, the value of those assets could be reduced by several trillion dollars. Meanwhile, the highly indebted emerging economies would face ballooning dollar liabilities which could cause financial distress and even crises.

Even if the US dollar appreciated less than the BAT, the pass-through from the tax on imports to domestic prices would imply a temporary but persistent rise in the inflation rate. Some studies suggest that, in the BAT's first year, the new tax could push up US inflation by 1%, or even more. The US Federal Reserve may respond to such an increase by hiking its policy rate, a move that would ultimately lead to a rise in long-term interest rates and place further upward pressure on the dollar's exchange rate.

Yet another problem with the BAT is that it would create massive disruptions in the global supply chains that the US corporate sector has built over the last few decades. By undermining companies' capacity to maximise the efficiency of labour and capital allocation – the driving motivation behind offshoring – the BAT would produce large welfare costs for the US and the global economy.

The final major problem with the BAT is that it violates World Trade Organization rules, which allow border adjustment only on indirect taxation, such as value-added tax, not on direct taxes, like those levied on corporate income. Given this, the WTO would probably rule the BAT illegal. In that case, the US could face retaliatory measures worth up to $400 billion per year if it did not repeal the tax. That would deal a serious blow to US and global GDP growth.

So how likely is the US to enact the BAT? The proposal has the support of the Republican majority in the House of Representatives, but a number of Senate Republicans are likely to vote against it. Democrats in both houses of congress are likely to vote against the entire proposed corporate-tax reform, including the BAT.

The executive branch is also split on the issue, with President Donald Trump's more protectionist advisers supporting it and his more internationalist counsellors opposing it. Trump himself has sent mixed signals.

Disagreement over the BAT extends to business as well, with firms that export more than they import supporting it, and vice versa. As for the general public, low- and middle-income households should oppose the BAT, which would drive up prices of the now-cheap imported goods that these groups currently consume, though Trump's blue-collar constituents, particularly those who work in manufacturing, may support the measure.

Ultimately, the case for the BAT is relatively weak – far weaker than the case against it. While this may be enough to ensure that it doesn't pass, there are strong protectionist forces in the US government pushing hard for it and similar policies. Even if the BAT is rejected, the risk of a damaging global trade war triggered by the Trump administration will continue to loom large. ❇

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> Spring 2017 Special:

Barbarians at the Gate?

Late last year, Austrian voters stopped short of electing a populist – some would use a slightly more acerbic characterisation – to the country's presidency. Norbert Hofer of the Freedom Party narrowly lost the second run-off vote against independent candidate Alexander van der Bellen – a scion from an aristocratic Russian family and former spokesperson of the Green Party.

Mr Van der Bellen's election offered Europe a brief respite from the onslaught of populism and other movements largely inspired by alternative facts. His opponent proposed to 'Put Austria First' and had promised a referendum on the country's membership of the European Union.

This year, voters in the Netherlands, France, and Germany have an opportunity to reaffirm the continent's commitment to reason and liberalism. The Dutch opened the election season on March 15. The French follow on April 23 and May 7. Germany will elect a new Bundestag on September 24.

Though the anti-immigration and anti-EU Freedom Party (PVV – Partij Voor de Vrijheid) became the largest bloc in the Dutch lower chamber, its leader Geert Wilders is unlikely to succeed in forming a government. Others, including the Liberal Party of acting prime-minister Mark Rutte, flatly refuse to consider a coalition with Mr Wilders. Though the forming of a new governing majority is expected to take some time due to the fragmentation of the political landscape, Mr Wilders will probably remain confined to the opposition benches. However, the danger of maintaining this informal cordon sanitaire is that a significant number of voters may come to feel disenfranchised.

The Labour Party (PvdA – Partij van de Arbeid) was nearly wiped out at the polls. Its leader Lodewijk Asscher had a good narrative but fell victim to the unwritten rule that the minority partner in a coalition government always pays a hefty price for supporting the government. The PvdA lost almost two-thirds of its voters, even though the Liberal-Labour coalition cabinet put the economy right and delivered both jobs and stellar financial results. The Liberals also lost support but not nearly as much as the social-democrats did.

In France, Marine Le Pen is of course making big waves and stands to win the first round of the presidential election on a France First platform that – it becomes quite tiresome – also blames the country's ills on either the European Union or immigrants. While her opponents remained divided in the run-up to the first voting round, they are expected to form a cohesive union against the Front National for the decisive May 7 vote. Whilst opinion polls predict a loss for Marine Le Pen, after the Trump upset in the US, nobody can be entirely sure.

Emmanuel Macron, who founded his own En Marche! party for the occasion, is the surprise candidate. A former investment banker and multimillionaire, Mr Macron held a number of high-profile jobs in the administration of President Francois Hollande. A leftist at heart, Mr Macron aims to bridge the ideological divide and prefers to be branded a social-liberal. He has a fair shot at the presidency.

Whatever happens in the Netherlands or France, Germany is not about to flip and go populist. Frauke Petry of the Alternative for Germany Party (Alternative für Deutschland) may put on a good show and obtain a fair share of the vote, Germans are not likely to upset their applecart. The race is between Angela Merkel CDU/CSU union parties and Martin Schultz of the social-democratic SPD. Still, the mere fact that German politics now boasts an openly nationalistic party is reason for some concern.

In this issue of CFI.co, we pitch Europe's leading contenders for high office against each other. In one corner, politicians who seek to exploit the general discontent by blaming others; in the opposing corner politicians who try to remain true to Europe's still relatively young tradition of tolerance and cooperation. The continent's voters – or at least a fair number of them – have the opportunity to stem the rising tide of populism and reaffirm Europe's role as a haven of sanity in an increasingly troubled world. ❊

Austria: Vienna



> ANGELA MERKEL

Leader of the Free World



Playing nice gets results. Just ask Angela Merkel who became the undisputed leader of the free world after the US elevated a rather rude businessman to the presidency. Mrs Merkel's phone manners are also much more effective. Instead of hanging up in anger, she just refuses to take calls as the Russians discovered to their dismay after they annexed the Crimea. The German chancellor, until then the Kremlin's main conduit to the western world, gave them the cold shoulder, simply refusing to engage.

Who would have known that some 71 years after the conclusion of the largest conflagration in the history of mankind, the Germans – of all people – would get to lead the free world. Whilst Mrs Merkel seems at ease in her new role, her political future at home is less certain. Belatedly, a growing number of Germans are having second thoughts on her "wir schaffen das" can-do approach to the refugee issue. In fact, voters are becoming quite fed up with having to pay, time and again, to solve other nation's troubles.

Before she allowed up to 800,000 refugees to resettle in Germany, the Merkel Administration had to help bailout Greece and other financially-troubled Eurozone member states. Though the rescue was largely a bookkeeping exercise which has, so far, not taxed the German exchequer, the impression remains that the country is being asked to take on the world's problems without so much as a thank-you from the nations benefited. Greek protesters likening the German chancellor to a heartless Führer dispensing inhuman diktats did not go down well – and left a lasting impression.

Opposing Mrs Merkel in the upcoming election is Martin Schulz, the former president of the European Parliament, who now leads the social-democratic SPD and stands to do rather well at the ballot. Merkel's Christian-democratic CDU and its Bavarian counterpart CSU together control 310 seat in the 630-member Bundestag. The so-called union parties, together since the late 1940s, received 41.5% of the vote in the 2013 election, against 25.7% for its natural nemesis, the SPD. Support for the government has, however, eroded significantly with the combined CDU/CSU currently polling at around 32% of the popular vote.

With its highly-complex mixed-member proportional representation system, which includes esoteric phenomena such as 'overhang' balancing seats, Chancellor Merkel may find it hard, if not impossible, to form a coalition that allows her to rule without taking on board a third partner such as the Greens or – perish the thought – the Left Party.

Though, for now, safe from extremist politics and rabid euro-scepticism, a post-Merkel Germany may not easily keep its pre-eminent position in Europe or globally. A capable politician who survived, and prospered, in the snake pit otherwise known as the European Parliament, Mr Schulz lacks the perspicacity and soft power skills that allowed Mrs Merkel to steer Germany to the top – without anybody other than, perhaps, the impoverished Greeks taking offense.

However, Mr Schulz lacks the statesman-like appearance and attitude the current German chancellor has finessed into a veritable art form. Not (yet) accustomed to see their country in the global driving seat, German voters are notorious for ignoring questions and issues that bear no direct relation to their domestic concerns. In a sense, to many the world stops at the borders. At home, Mrs Merkel battles more hot potatoes than immigration alone: opinions are divided when it comes to the need to re-equip and re-arm Germany's defence. The economy, whilst humming along nicely, poses another worry as inflation picks up and the European Central Bank continues to insist on injecting money into the Eurozone's economy. The call for Germany to do something about its excessive current account surplus is getting louder, yet Mrs Merkel is reluctant to encourage or incentivise consumers to embark on a spending spree. Fiscal probity remains the state's official religion.

The good news is that whichever way German voters decide to go, populism is not about to take over in Europe's largest and most dominant country. Thus, Germany is expected to remain the anchor of Europe and, indeed, a safe haven where alternative facts have not yet taken hold.

> EMMANUEL MACRON

Perfect Timing

The fate of the European Union may well rest on his shoulders. Front-runner in the French election campaign, Emmanuel Macron (39) is widely expected – but not guaranteed – to trash Marine Le Pen in the May 7 run-off for the presidency by a two-to-one margin. A liberal-centrist, youthful, and with plenty of flair though never before elected to pubic office, Mr Macron came out of nowhere to claim the top spot. A former minister of Economic and Industrial Affairs, the candidate promises reform without upheaval.



Mr Macron was the main beneficiary of the sudden fall from grace of conservative front-runner François Fillon who was found to have parachuted his wife into a non-existent yet well-paying job at the expense of the taxpayer. Though he refused to quit the electoral race, Mr Fillon's popularity plummeted in the wake of the scandal dished up by the satirical weekly Le Canard Enchainé.

As the candidate to beat, Emmanuel Macron has become the main target for negative campaigning and already had to vehemently deny a gay extramarital affair. Wikipedia founder Julian Assange, still holed up in the Ecuadorian embassy in London, has promised additional revelations that may embarrass Mr Macron.

Though he has so far provided few details on his policy platform, Mr Macron did appeal for an immediate strengthening of the euro – which he called "a weak D-mark" – and a reform of the Eurozone in order to assure the common currency's survival: "Without this, the euro will be gone in under two years." In a speech at Humboldt University in Berlin, Mr Macron emphasised the need for action. "The truth is that we must collectively recognise that the euro is incomplete and cannot last without major reforms. It has not provided Europe with full international sovereignty against the dollar on its rules. It has not provided Europe with a natural convergence between the different member states."

Mr Macron also stressed the need for France to reform its rigid labour market, and appealed to Germany to end its austerity fetish and start investing for its own benefit and that of Europe, adding that the "dysfunctional" euro has been a boon to German exporters. Interestingly, Mr Macron proposes the creation of a Eurozone budget to finance investments – in lieu of quantitative easing – and help struggling member states such as Greece.

On the campaign trail, Mr Macron steadfastly refuses to endorse anti-EU sentiments, preferring to remind his audience instead that the union has brought both wealth ad stability to the continent: "We need more integration, rather than less, but it must be accomplished without sacrificing sensible solutions to relatively simple problems."

To elaborate a comprehensive policy platform, Mr Macron invited almost 400 experts to help put together a manifesto, defining ten priorities, each with a specific and detailed proposal attached. In his best-selling book – Révolution - launched last December just before the start of the election season, Mr Macron describes himself as a left-leaning no-nonsense liberal. He wants to streamline France's overblown bureaucracy, reduce the weight of regulation, and simplify the country's tax system, amongst others.

The En Marche! (mind the initials) movement he founded for the occasion has deftly claimed the political centre ground vacated by both Marine Le Pen and the now disgraced François Fillon. Thus, Emmanuel Macron may easily become the candidate to block Ms Le Pen's ascendancy to the French presidency. In keeping with French political tradition, voters in the first round select their favourite candidate while in the second round the most-hated contender is summarily rejected.

A victory for anyone but Marine Le Pen will constitute a salvation – of sorts – for the grand European project, under siege by both Brexit and President Trump. Staunchly pro-European whilst also committed to reform, Emmanuel Macron may well turn out to be the right man in the right job at the right time.

> GEERT WILDERS

Biding Time

His party has but a single member and its entire programme fits, easily, on a single sheet of paper. Geert Wilder is not one for subtleties: he wants to place Muslims at risk of radicalisation in preventative custody, close the borders to immigrants from the Middle East and North Africa, and take the country out of the European Union. Only thus, Mr Wilders argues, can the Netherlands regain control of its own destiny. Inimical to 'leftist hobbies', the leader of the Party for Freedom (Partij Voor de Vrijheid – PVV) also aims to shut down public broadcasting and stop all subsidies to cultural life and expression. His vision of the Netherlands leaves no room for diversity. In Mr Wilders' dictionary, multiculturalism is a dirty word.

A significant number of Dutch voters are susceptible to Mr Wilder's message. He currently leads the polls for the March 15 parliamentary election and may see his party's seats in the lower chamber doubled to thirty or more. Interestingly, and worryingly, most declared PVV voters do not seem to take Mr Wilders at his word and dismiss his more radical ideas as electoral posturing. He also attracts a significant portion of the protest vote, formerly confined to the left. Since Mr Wilders has zero chance of becoming the next prime minister – all but a few smaller parties have ruled out a coalition with the PVV – a vote for his party is seen as a safe way of expressing discontent without upsetting the consensus that has ruled Dutch post-war politics.

The enfant terrible of the Netherlands since he was expelled from the liberal Peoples' Party for Freedom and Democracy (Volkspartij voor Vrijheid en Democratie – VVD) in 2004, Geert Wilders has, reluctantly, been recognised as a smart political operator. In order to maintain a tight grip on his platform, discourage dissent, and ensure organisational efficiency, Mr Wilders has refused to allow anyone, aside from himself, to join the PVV. The party, effectively a one-man-band, holds no congresses and admits only a limited degree of voter participation. Thus, Mr Wilders tries to avoid the mistakes that proved fatal to similar xenophobic parties in the past which succumbed to infighting and disappeared from the scene almost as fast as they burst onto it.

Mr Wilders also espouses a number of less publicised and more esoteric ideas such as the absorption of the Dutch-speaking Flanders region of Belgium into a Greater Netherlands, and closer ties with South Africa's Afrikaners. Other foreign policy proposals include a prohibition on all "propaganda" for Palestine and the Palestinians, the removal of the "Dutch" star featured on the EU flag, and unqualified support for the State of Israel. Domestically, Mr Wilders wants to ban the Koran, stop all government support for initiatives that fight climate change, and repeal anti-smoking laws.



Much less controversially, the PVV aims to ban 'gender apartheid', increase penalties for violence against the Jewish and LGBT communities, and bring the retirement age back to 65.

The informal cordon sanitaire which has been struck around Mr Wilders and his PVV is, however, cause for concern: a fair chunk of the Dutch electorate may become disenfranchised. Prime Minister Mark Rutte of the VVD remains adamant and refuses to even contemplate entering into any kind of coalition with his nemesis who he holds responsible for the collapse of his minority government in 2010. At the time, Mr Wilders refused to endorse the expenditure cuts needed to weather the economic downturn. "When the going got tough, Mr Wilders got going," remembers Prime Minister Rutte.

Meanwhile, Mr Wilders remains convinced that sooner or later he will make prime minister. As he is pushed into a corner by the established parties, Mr Wilders bides his time all the while reminding voters that his PVV suffers discrimination at the hands of an 'elite' determined to ignore the will of the people. That line of reasoning becomes increasingly difficult to discredit. Even so, Mr Wilders is not without influence: his discourse is pulling the entire body politic of the Netherlands to the nationalist right with even Prime Minister Rutte taking a much harder stance on immigration and calling for a return to home-grown values in an attempt to nibble away at the PVV.

> FRAUKE PETRY

Lessons from Machiavelli

Determined to set an example and help revert the decline of Germany's population numbers, Frauke Petry (41) announced, just before last Christmas, that she was expecting her fifth child. Petite and with her signature pixie cut, the leader of the nationalist Alternative for Germany (AfD) party prepares to give birth just weeks before the nation is to elect a new parliament – the Bundestag.



Ms Petry repeatedly urged Germans to have more children and so avoid the need to attract immigrants to make up for the expected shortfall in workers. Germany's population peaked at 82 million in 2002 and has since declined. United Nations statisticians predict that by 2050 the country will have barely 74 million inhabitants. The share of those over 60 is set to increase from 27% to 39%, raising question on the feasibility of Germany's comprehensive welfare system.

"It will be hard because you cannot force people to have children, obviously, and we do not want that anyway." Instead, Ms Petry suggests the government provide financial incentives to encourage German couples to have more children and to start having children earlier: "In their twenties, rather than in their thirties or later."

On immigration, Ms Petry recommends reading Machiavelli and, in particular, his writings on the Roman Empire and its readiness to confer full citizenship on people from conquered tribes and nations – a prelude to the empire's eventual decline and fall. "The principles of migration have always been the same. It's a question of period of time, process and numbers, and if migration in the long run outnumbers the indigenous population, their country will disappear. That's what we see when we talk about illegal migration today in Germany and Europe."

Though she claims to have no issues with assimilated Muslim immigrants, Ms Petry does have a problem with their religion and wholeheartedly rejects Chancellor Merkel's claim that Islam belongs to Germany: "I think it is rather obvious that it is much easier to integrate someone from France, or from Poland, from Spain, from Britain or from wherever in Europe than someone from the Middle East."

"These ideas have already been there for quite a while, but they were called racist or xenophobic. Politicians of all the other parties realise that all the so-called solutions up to now haven't worked." Ms Petry is, however, mindful of her country's unique burden and has pushed the party to tone down the rhetoric. Anti-Semitism is 'verboten' as are historical revisionism and criticism of Germany's on-going penance for its past wrongs.

The Alternative for Germany party did not start out as a nationalist movement and was founded, instead, to channel popular disgruntlement over the bailouts of Greece and other malfunctioning economies. The party was set up in 2013 by concerned business leaders, economists, and academics who objected to Germany footing the bill of Eurozone bailouts. However, in 2014 the AfD failed to meet the 5% threshold required to obtain representation in the Bundestag.

The following year, the right wing of the party took over from the economists and steered the AfD towards a more conservative stance on immigration and a host of other social issues. Since then, the party performed well in local and regional elections. A poll commissioned by the newspaper Bild in January shows that 14.5% of German voters plan to cast their ballot for the AfD in the September 24 election.

Ms Petry seems to be cashing in handsomely on the discontent following Chancellor Merkel's controversial decision to open the borders to about 800,000 Syrian and other refugees in 2015. Though Mrs Merkel has since reversed the policy, she lost the trust of millions. Support for the coalition partners that underpin her government has now shrunk to 32%. If the decline continues, Mrs Merkel may experience difficulty in securing a parliamentary majority after the vote.

Meanwhile, Ms Petry would be happy to see her party obtain representation in the Bundestag. A realist, if anything, the AfD leader knows that the chancellery remains out of reach – none of the established parties are willing to invite the AfD into a coalition. "For now, the AfD just wants to be heard in parliament and encourage a national debate on the issues our voters find important. It is a modest goal but a crucial one to attain lest a significant part of the population is to become disenfranchised."

> MARINE LE PEN

Writing the Book on Social Media



Don't count her out yet. So far, Marine Le Pen may only have charmed about a quarter of French voters, she is backed up by a small army of Internet-savvy youngsters who know how to tap into big data and extract with great precision the topics of greatest concern to the nation. Mrs Le Pen's Front National has a well-established tradition of leveraging the power of social media and the Internet. In the 1990s, the FN was the first to launch a website. Later, the party caught on to Facebook and Twitter long before the others did. That early technological edge paid off: Marine Le Pen has by far the highest social media engagement rate – measured by number of likes and followers – of any presidential hopeful.

Short-circuiting the traditional media – mostly quite inimical to their nationalist cause – the FN campaign doesn't need to take a cue from Bernie Sanders or Donald Trump, both praised for their clever use of social media – it wrote the book. The party's ruthlessly negative campaigns, and its clever use of alternative facts, are cooked up in L'Escale (The Stopover), a nicely appointed apartment within walking distance from the Place de l'Etoile. From here a permanent staff of fifteen web campaign workers design, compile, and broadcast the central tenets of Marine Le Pen's message to the nation. The content is then picked up by thousands of volunteers who repost and retweet the battle cries, often adding their own opinions to the mix. On the French Internet, there is simply no escaping the Front National.

Much of the magic sprouts from the fertile imagination of Phillipe Vardon, an anti-immigrant activist best-known for his agitprop operations such as serving pork-laced soup to the homeless and occupying mosques. 'General' Vardon heads the Ideas and Images Unit of the Le Pen campaign machine. His job is to undermine conventional wisdom which says that the FN candidate will win the first round of the elections, only to founder in the run-off when she will face the united might of the establishment.

After the ballot upsets that pushed Great Britain towards the EU exit and delivered Donald Trump to the White House, pundits are not so sure that Philippe Vardon faces an impossible task. A self-proclaimed 'classical Leninist', and, as such, not unlike US presidential advisor Steve Bannon, Mr Vardon (36) denies he is some kind of geek and admits to only using 'tools' readily available to any candidate.

L'Escale swung into action with devastating results only minutes after François Fillon unexpectedly won the conservative primary. Having identified their target, the members of the Ideas and Images Unit went over every word the candidate had ever pronounced to find inconsistencies and – plainly – muck. They found plenty and unleashed a vicious campaign which received an additional boost after the satirical weekly Le Canard Enchainé revealed that François Fillon had put his British-born wife Penelope on an annual €900,000 retainer – to do nothing discernible – paid for by parliament.

Though she doesn't put a stop to it, Marine Le Pen is careful to keep her distance from the viler aspects of her campaign such as the rechristening of her opponents with Arab first names: Alain Juppé, who since dropped out of the race, became Ali Juppé and Emanuelle Macron was surprised to be suddenly targeted as Djamel Macron.

The FN candidate also keeps a low profile when it comes to Fachosphère – a group of nebulous American, Russian, and French operators who meet anonymously on online forums to coordinate actions aimed at upsetting conventional politics. One of the Fachosphère's members is former Kremlin propagandist Konstantin Rykov who, in an email exchange, offered Mrs Le Pen a financial reward in exchange for France's recognition of Russia's annexation of the Crimea. Coincidence or not, Mrs Le Pen did receive a $9 million loan from a Russian-backed bank.

Though conventional wisdom may hold as the French cast their ballot in April and May, should the established parties on the right or left consider governing the country business-as-usual, it becomes only a matter of time before Marine Le Pen and her Font National triumph. If anything, Marine Le Pen reminds the French that all is not well in their Fifth Republic.

> MARK RUTTE

Act Normal

It's not the economy and, by the way, stupid plots a takeover. A possible victim of his own success, Prime Minister Mark Rutte of the Netherlands seems unable to cash in on his government's remarkable achievements: with the economy barrelling ahead at a revised annual growth rate of 2.3% and unemployment reduced to barely 5.4%, Mr Rutte and his Party for Freedom and Democracy (VVD) should have no trouble wooing the voting public. Yet, eight out of ten surveys conducted in January predicted that Mr Rutte's VVD is about to lose its status as the country's largest party to the Party for Freedom (PVV), Geert Wilders' vehicle for furthering a xenophobic agenda.



Taking a cue from the far right, the liberal VVD launched its campaign for the March 15 parliamentary election on a Be Normal platform – insisting that newcomers to the Netherlands fully embrace Dutch values or seek refuge elsewhere. Ignoring the rather inconvenient truism that tolerance – defined as the non-interference with fellow citizens' attitudes and beliefs – is usually considered a central element of indigenous morals, Be Normal came about after the doyen of liberal Dutch politics Jan Terlouw (85) publicly deplored the disappearance of 'the string' from the country's cityscape.

Mr Terlouw, a nuclear physicist, writer of 24 best-selling children's books, former minister of Economic Affairs, and in the early 1980s briefly deputy-prime minister, saw in the loss of the string – dangling from door-mounted letterboxes and attached to the lock in order to allow children returning home from school or play easy access – a sign of a world changed beyond recognition and of a society no longer based on mutual trust.

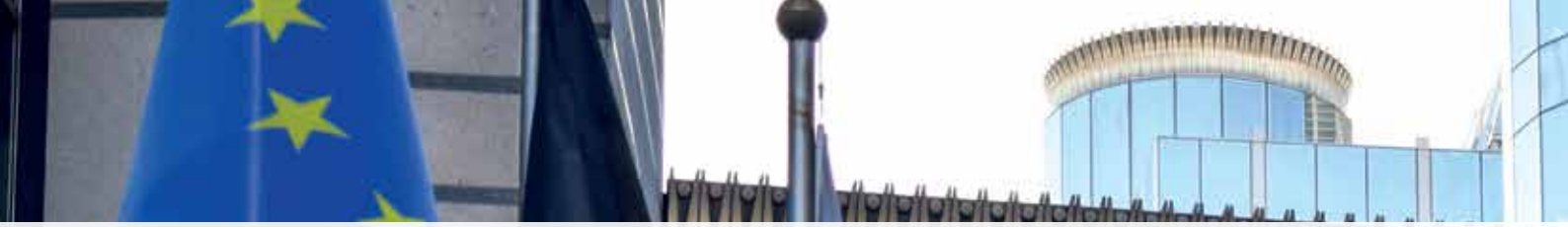
Dutch political discourse has become markedly acerbic with the prime minister telling young people of Turkish descent to "piss off" to Turkey in case they find it hard to live in the Netherlands. Taking a leaf out of Mr Wilders' book of curses – a hefty tome with mostly illness-themed expletives – Mr Rutte appears to cultivate a quasi-obsession with normal behaviour. In this increasingly narrow worldview, anybody who deviates from whatever is considered quintessentially Dutch is invited to leave.

"By copying Wilders' rhetoric, Mark Rutte is setting himself a trap," says Henk te Velde, professor of Dutch History at Leiden University. "Imitating Wilders' very peculiar and slightly archaic language sets the prime minister up as a copycat, convincing people to vote for the real thing instead." A pragmatist first and foremost, and a diehard optimist second, Mr Rutte has long battled accusations that he is without ideas of his own, preferring to make up his mind as he goes along and circumstance dictates.

The prime minister is also still haunted by his unfulfilled promise, made during the 2012 election campaign, of awarding a tax credit of a thousand euros to each family. Though he apologised profusely for making this rash promise, the episode continues to undermine his credibility. The Dutch are famously slow to forgive and forget. Though mostly in jest, but not entirely devoid of indignation, German visitors are still regularly asked to please return the bicycles that were confiscated during the last weeks of the occupation in April and May 1945. Likewise, Mr Rutte will not soon be allowed to move on from his promise. While canvassing, VVD campaign workers report that voters almost continuously demand 'their' money be paid out.

Saved, to a point, by the country's stellar economic performance – an electoral non-issue since there are few complaints – Mr Rutte's VVD is expected to 'only' lose over a third of its 41 seats in parliament. In fact, surveys show that no single party is likely to obtain more than 32 seats in the 150-member lower house.

With Mr Wilders and his PVV confined to the side lines – no main-stream party is willing to court the Party for Freedom – a coalition government supported by a working majority is expected to require the participation of at least five different political parties. Thus, Mr Rutte may well return as prime minister for a third time; he will, however, need to call upon all his expertise in governance to keep such a diverse cabinet from succumbing to the infighting that is almost guaranteed to develop as Mr Wilders pokes and provokes Rutte at will from the comfort of the opposition benches.



> Europe

European Union: Sixty Years and … Counting

By Wim Romeijn

Acknowledging the bloc faces unprecedented challenges, the leaders of the EU27 reaffirmed their commitment to a common European future as they celebrated the sixtieth anniversary of the signing of the Treaty of Rome – a pledge to pursue an "ever closer union of the peoples of Europe" and the foundational stone upon which the European Union was erected. Expanding from six member states to 28 minus 1 over the course of six decades, the EU – formerly known as the European Economic Community – held out, and delivered on, the promise of peace and prosperity. Now in the midst of an existentialist crisis, and unsure how to proceed, the union gets ready to deal with Great Britain, its most recalcitrant member since joining in 1973, as that country prepares a retreat from the continent.

More than nine months after a thin majority of 52% of British voters (from the 72.2% who bothered to partake in the Brexit referendum) chose for the ultimate EU opt-out, the UK government finally handed Brussels its Article 50 notice on March 29, formalising the country's intention to leave the union and starting the two-year countdown towards the exit. EU President Donald Tusk, just re-elected, immediately dispatched a draft negotiating mandate – a ten-page document outlining the objectives and strategies to be pursued, and reportedly the union's best-kept secret – to the governments of the 27 remaining member states.

In its preamble, the paper stresses the importance of maintaining a closely united front, thus resisting the age-old and much-refined British divide-and-rule tactic as pricelessly – and correctly – depicted in a 1980 episode of Yes Minister. Sir Humphrey, baffled by the monumental naiveté of his ministerial charge, patiently explains the reasoning for Great Britain joining the the-common market: "to create a disunited Europe."

The position paper delivered to Europe's capitals also emphasises the need to keep the European Union's four elementary freedoms – the free movement of goods, capital, services, and labour – as inseparable sine qua non conditions for gaining or maintaining unfettered access to the common market – the world's largest economic bloc with a combined GDP of well over $17tn (PPP, 2016, excluding the UK).

The draft negotiating mandate also sets out the basic tenets of the divorce proceedings: before a framework for the post-Brexit relations between the UK and the EU27 is discussed, two issues need to be settled. The first one is not at all contentious and concerns the legal position of the estimated three million EU citizens who currently reside in the UK and, inversely, of the around one million Brits who live elsewhere in the union. The second issue is much more charged and revolves around the settlement of financial obligations, both the British share of EU assets and commitments. A guestimate by the EU has the UK on the hook for anywhere between thirty and sixty billion euros.

This pecuniary minefield is all the more volatile since it includes the legacy of former British Prime Minister David Cameron who negotiated a steep discount in the UK's contributions to the EU budget for the quinquennial ending in 2020 in return for a firm commitment to significantly up remittances after that. These future outlays, mostly support for Pan-European projects, have already been signed by the UK government. Once the bills have been sorted, talks may progress to shaping Great Britain's future relationship with the EU.

Already now a Franco-German axis has emerged which is expected to impose discipline, and a united front, on the EU27 during the talks. French diplomat and chief EU negotiator Michel Barnier and his German deputy Sabine Weyand have visited all remaining member states to map specific concerns on the vast and varied palette of policies now under review. The clear instruction is to ignore the bravado of UK Secretary of State for Exiting the European Union, David Davis, whose reputation as a political street fighter is now well established, and concentrate on the nuts and bolts whilst leveraging the EU's formidable financial and economic clout. Brussels is to remain unfazed even as the more lively of British media outlets whip up a frenzy.

Writing in The Guardian, EU Commission President Jean-Claude Juncker noted that in British political discourse, the union is constantly being blamed for things it has no say over: "We now know the result of such rhetoric." Mr Juncker emphasised that the EU has few powers over healthcare, education, and welfare – three of the four most controversial policy areas in the UK. The remaining hot button issue – immigration – is only a matter for the EU as far as its own citizens, and their freedom of movement, are concerned; immigration from outside the union is regulated and controlled by individual member states. In the case of Great Britain, the influx of migrants from non-EU countries far outstrips arrivals of union citizens.

Mr Juncker reiterated that the EU concerns far more than just the single market of goods and money: "To say otherwise is to betray the values we fought for, on battlefields and soapboxes, over centuries. For 60 years Europe achieved the seemingly unachievable: a stay in the everlasting European tragedy of war and peace. But this Europe is not a given. Europe always was and remains a choice."

The British, then, have made their choice. It is now up to the UK to shape a national destiny outside the EU – preferably without demanding handouts, parting gifts, or other privileges. After all, Prime Minister Theresa May must live up to her battle cry 'Brexit Means Brexit' and accept all that such a combative attitude implies.





Belgium: Brussels

Five Reasons to Love Europe

The European Union may have more than its fair share of unresolved issues, and a number of design flaws to boot, eurosceptics all too easily dismiss the entire construct as an anachronism to be relegated to the scrap heap of history as just another failed attempt at empire-building. The notion that "Brussels" merely constitutes an outsized bureaucracy engaged in producing silly and harmful rules to justify its own existence is maliciously incorrect. Whilst it is true that the EU has much room for improvement, the suggestion to discard the world's largest nation-building project begs the next question: what to put in its place? Nothing is not an option, for today's divisions show that Europe is still a continent much at odds and full of contrasts, a mix as alluring as dangerous.

PEACE

It is by no means a coincidence that the European project started off as a community of coal and steel – at the time, two essential components for the waging of war. The Schuman Declaration of May 1950 placed the French and German production of coal and steel under a supranational authority, effectively merging the industries and detaching their management from national interests. The aim was both ambitious and noble: making war between France and Germany not only unthinkable but also materially impossible.

Seven years after this bold experiment was set in motion, the European Community of Coal and Steel, now comprising six countries (Italy, the Netherlands, Belgium, and Luxemburg also joined) decided to push for even closer cooperation and integration. The 1957 Treaty of Rome founded the European Economic Community to promote an 'ever closer union of the peoples of Europe'.

After centuries of rivalry, fought out on battlefields, France and Germany have been at peace for over seventy years. Three generations of Europeans have grown up without first-hand knowledge of war. These later generations now consider peace their birth right – and ongoing efforts the prevent armed conflict largely unnecessary, given their unfamiliarity with the phenomenon of war.

However, along the EU's fringes wars rage almost constantly – in the Ukraine, Syria, and Libya. Peoples scarred by recent wars in Eastern Europe are amongst the most ardent supporters of the European Union and its guarantee of peace.

'War Never Again' remains the European Union's most solemn pledge – one it has kept.

PROSPERITY

The ten countries that joined the European Union in 2004 have all experienced accelerated economic growth since their accession – even though the EU went through a prolonged downturn as of 2008 when the US banking system teetered on the brink of financial Armageddon – a crisis that soon engulfed the entire world. Countries that were not yet ready to join the EU – Moldavia and the fragmented nations of the southern Balkans – saw their economies stagnate or shrink.

> "The notion that 'Brussels' merely constitutes an outsized bureaucracy engaged in producing silly and harmful rules to justify its own existence is maliciously incorrect."

Greece, of course, proved a damning exception. The introduction of the euro also caused considerable pain. Yet, the disappearance of internal borders and the creation of a single market for goods, capital, services, and labour has allowed laggards such as Spain, Portugal, and Ireland to catch up whilst the countries of Eastern Europe gained access to the markets and technology needed to increase productivity and shrink the prosperity gap.

The UK – Europe's sick man in the early 1970s – meanwhile managed to become a beacon of progress and shake off a severely damaged economic reputation in under a decade thanks to its access to markets on the continent. The City of London, previously a distant second to New York, became the world's financial capital by capturing the business of a booming continent.

Whilst difficult to quantify, numerous studies (such as the 2014 paper by the German Institute for the Study of Labour – Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union) conclude that the average European citizen would have been at least 19% less well-off without the EU.

Pessimism notwithstanding, the European Union delivers prosperity.

RULE OF LAW

Before accession talks can even begin, any country aspiring to join the European Union must maintain 'stable institutions that guarantee democracy, the rule of law, human rights, and protect the rights of minorities'.

Whilst some member states such as Hungary and Poland at times flirt timidly with authoritarianism, and others remain mired in corruption, overall the EU ensures enviable levels of domestic political civility. Backsliders run the risk of having their membership summarily suspended or cancelled. It has not yet come to that, but the threat of disbarment is real.

Whilst Romania still battles corruption, the country did advance on the World Corruption Index compiled by Transparency International from 87th to 57th place. Over the same period, neighbouring Moldavia – not an EU member – slid from 79th to 123rd place on the ranking.

As a soft power of considerable means, the EU also promotes democracy elsewhere in the world, often taking the lead in shunning authoritarian regimes and supporting countries that strive to improve their human rights records.

The European Union remains a global beacon for democracy and the rule of law.

INDIVIDUAL FREEDOM

The many freedoms citizens of EU member states enjoy, firmly anchored in union law, may not be encroached upon by national governments. The European Court of Justice has established a vast compendium of case law that ensures citizens' rights are protected – with few, if any, exceptions allowed. The court has acted swiftly to correct overzealous governments. Of late, the court managed to limit the reach of intelligence agencies to invade or monitor private spheres.

Thanks to the European Union, dissenters, freethinkers, and others aiming to challenge established wisdom need not fear the wrath of authority.

RULES AND REGULATION

Bears, wolves, and lynxes – to name but a few species – are staging a comeback across Europe thanks to the union's ambitious and effective environmental policies. Recently, the EU was the principal driver of the most comprehensive yet global agreement to reduce and ban the emission of greenhouse gases. The union's approach is unique in the sense that it includes a precautionary principle: whatever may cause harm to humans and the environment is outlawed until scientifically deemed safe.

The European Union also implemented strong and effective consumer protection and labour laws that ensure high standards and place reasonable limits on the freedom of producers and employers to extract profits to the detriment of other stakeholders. The image of Brussels as the source of regulatory irritants is one mostly promoted by big business.

European consumers and workers enjoy a level of protection unavailable elsewhere in the world. ❊

> CFI.co Meets the CEO of Clydesdale and Yorkshire Bank:

David Duffy

In February 2016, CYBG became an independent company for the first time in nearly 100 years. Through its Clydesdale and Yorkshire Bank brands, CYBG has been delivering banking services to the communities and businesses of Scotland and the North of England for over 175 years.

Now, as a newly independent company, the bank is committed to harnessing the power of technology to provide customers with a banking experience that is useful, simple, and rewarding – allowing them to manage their money on their terms.

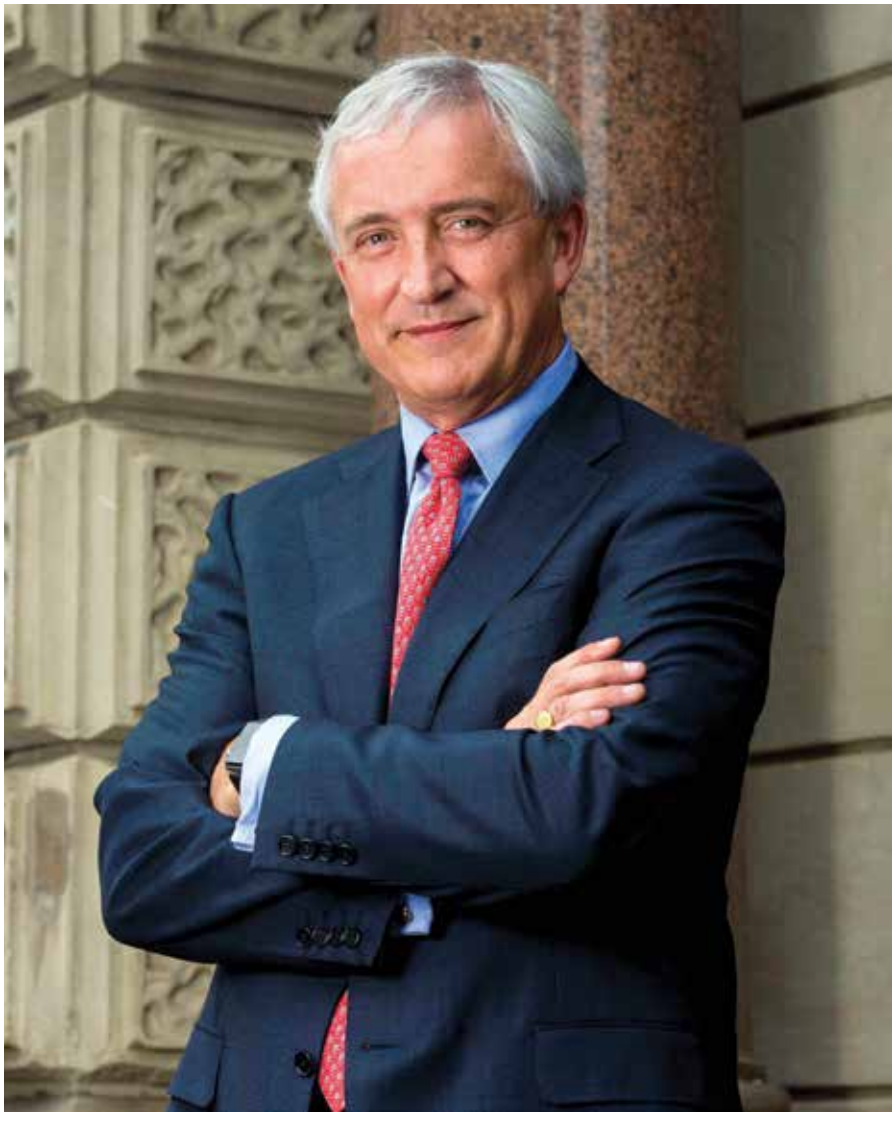
Leading the CYBG through this journey is seasoned banker, David Duffy. His previous roles include being CEO at Allied Irish Banks and Standard Bank International covering Asia, Latin America, the UK, and Europe, along with executive leadership roles at ING Group and Goldman Sachs.

He arrived at CYBG in June 2015, and, as chief executive, it has been under his leadership that the bank delivered a successful IPO, in 2016, and demonstrated a strong first year performance, ensuring the bank is well positioned for the future.

He said: "It's an exciting time in the CYBG journey – since gaining our independence we have built up strong momentum with a clear and focused strategy that the leadership team now driving forward at pace. CYBG is a growth business with scale, capability, and momentum. We believe we are uniquely placed to be the only credible full service retail and SME challenger to the big UK banks."

"Our industry is evolving at lightning speed, with new technologies and disruptors continually coming on the scene – and we know just how strong consumers' appetite is for using new technology when it comes to how they manage their money. From telephone banking, to online and now mobile banking, the industry needs to keep up with changing consumer demands or face losing customers. In the last five years, the number of customers using their branch for day-to-day transactions has fallen by a third as customers move to doing their banking online."

A key strand of CYBG's strategy is a significant investment in the bank's digital capabilities which Duffy sees as being vital to delivering the enhanced customer experience CYBG's three million customers are looking for: "We fundamentally believe that technology should be viewed in support of the customer experience – rather than instead of – and it's this experience combined with the ability of banks to build relationships based on service and trust that will be the battleground of the future. Our digital platform has been significantly enhanced and is at the heart of our omni-channel strategy.



CEO: David Duffy

"We want to improve the quality of the customer experience – our omni-channel approach will allow our customer to operate across all channels seamlessly and to start a transaction in one channel and be able to finish it in another channel; the customer can do what they want, when they want and how they want. Too often digital challengers adopt single or limited offerings, which push product at the customer. We believe that we need to prioritise the customer and their experience and not just the product; using technology to enhance their experience, not change it."

It is this view of merging traditional banking with modern technology that has earned CYBG the award for Digital Bank of the Year – an accolade which demonstrates the forward thinking of the business. Mr Duffy added: "This award is recognition of the hard work that has gone into identifying and recognising the change in our customer needs. But we refuse to be complacent and we will continue to listen and work with our customers to ensure we are meeting and exceeding their expectations when it comes to how they manage their money." ❇



> CYBG:

Transforming the Business of Banking

With a banking heritage stretching back over 175 years, CYBG is the only full service bank with the strength, skills, and size to provide a credible challenge the UK's biggest banks.

HISTORY

An independent bank for the first time in nearly a century, CYBG prides itself on being big enough to matter and small enough to care. Its two established brands, Clydesdale Bank and Yorkshire Bank, now supported by its innovative marketing app B, are built on strong foundations, dedicated to serving people, business, and communities.

As one of Scotland's largest banks, Clydesdale Bank was established in 1838, in Glasgow, while Yorkshire Bank can trace its roots back to 1859 in Halifax, West Yorkshire.

Today, CYBG delivers a full range of banking services, has close to three million retail and business customers through a network of branch, telephone, online, mobile, and third party brokers.

David Duffy, chief executive at CYBG, said: "Our brands signal a sense of place and the pride we have as a bank – we are committed to supporting the people and businesses of Scotland and the North of England, to help deliver a more prosperous future for the communities we operate in."



Yorkshire Bank



Clydesdale Bank

"Today, CYBG delivers a full range of banking services, has close to three million retail and business customers through a network of branch, telephone, online, mobile, and third party brokers."

PRIORITIES

CYBG is delivering on a clear set of strategic priorities which will see investment of £350m over the next two years to help transform the business.

The bank is putting the customer at the heart of everything it does as it aims to deliver a true omni-channel experience for customers. CYBG will deliver the modern and convenient digital banking services most want while maintaining the face to face relationship, which customers still desire and forms a core part of its DNA.

DISRUPTING THE MARKET

CYBG is well placed to disrupt the financial services market – with full service banking capabilities that other challenger banks' dream of, the bank is also building a digital capability which will allow it to shape and respond to technological changes that are transforming the nature of banking.

The bank appreciates that today's technology-savvy customers want to manage their money on their own terms and the bank is building a modern digital-first banking service, offering convenience and choice.

However, CYBG also recognises that most customers still value a trusted relationship with their bank and want to access services across a range of channels and a time and place of their convenience. Whether it is in branch, on the telephone, online, mobile or through a third party broker, CYBG is aiming to provide a seamless omni-channel experience to customers, which means customers can complete all aspects of their banking across the channels seamlessly, with more intuitive customer experiences.

Maintaining trusted, personal relationships with customers while building a market-leading digital capability is what will set CYBG apart from its competitors.

THE LAUNCH OF B

The launch of B represents the first chapter of this digital journey and is a clear example of how CYBG is using technology to enhance the relationship between the bank and its customers.

This is a step change for CYBG. B is a digital current and savings account app that has real time money management and money movement capabilities unlike anything currently available in the market. B works with its customer to understand where their money is going and provide helpful advice and tips on budgeting, saving, and spending.

THE DIGITAL PLATFORM

B is the first product to sit on the bank's new digital platform. Open banking is set to change the face of the industry and CYBG's IT platform will ensure the bank will be at the forefront of these changes.

The platform allows CYBG to work with partners in a completely different space. By selectively targeting key partnerships, the bank can achieve faster speed to market at lower cost, while also providing the opportunity to integrate with fin-tech partners. There is also the ability to introduce leapfrog technologies which will stay true to the CYBG vision of being truly omni-channel and create more choice and flexibility.

THE BRANCH

The role of the branch continues to evolve and as technology continues to support the banking offer and experience, the branch network is also becoming more automated, with the introduction of DTMs, etc.

Mr Duffy explains: "Our branch network continues to play a vital part in our business. The introduction of new technologies and the digital platform just seek to support the traditional way of banking. We understand that people want choice and convenience and we want to offer a range of services that cover all of these demands." ❇



> Arca Fondi SGR:

Independent Asset Management in Italy

Arca Fondi SGR was born from the history and experience accumulated by Arca SGR, founded in October 1983 by twelve popular banks in Italy. Arca Fondi SGR is an asset management company also authorised to manage individual portfolios of institutional clients. Arca Fondi SGR is owned by Arca Holding.

As of December 31, 2016, this shareholder structure looks as follows:

- BPER Banca - 32,8%
- Banca Popolare di Sondrio - 21,1%
- Banca Popolare di Vicenza - 20%
- Veneto Banca - 20%
- Others - 6,1%

The distinctive feature of Arca Fondi SGR is independence: none of its shareholders exercises control.



CEO and General Manager: Ugo Loser

"Arca Fondi SGR was one of the first asset management companies to adopt the Protocollo di Autonomia drawn up by Assogestioni, the Italian association of asset managers."

Today, Arca Fondi SGR is one of the leading independent asset management companies operating in Italy. Asset under management are about €30bn:

- €23.3bn mutual funds - market share 3%
- €3.2bn Arca Previdenza Open Pension Fund - market share 19,5%
- €1.8bn under management for institutional clients
- €1.3bn as investment manager at Sidera Funds Sicav

Institutional assets under management are assets held by pension funds (contractual and pre-existing), retirement funds, and foundations; by banks and large companies portfolios; by insurance companies, other mutual funds, or by Sicavs.

GOVERNANCE

Arca Fondi SGR was one of the first asset management companies to adopt the Protocollo di Autonomia drawn up by Assogestioni, the Italian association of asset managers. The protocol is aimed at the implementation of a sound and adequate company framework to manage conflicts of interest in order to protect subscribers and to safeguard management decisions.

Continuity and autonomy in operations and governance serve as a guarantee that the protection of the customer's interests will always be Arca Fondi SGR's constant objective and priority.

BRAND RECOGNITION

With one of the largest distribution networks in the Italian asset management industry, and the long-standing presence of its brand in the marketplace, Arca Fondi SGR is ranked by Italian investors as one of the country's best-known asset managers.

Over time the company has also developed strong ties with its customers. With a highly innovative product range and the introduction of multi-manager solutions, Arca Fondi SGR has succeeded in satisfying the changing needs of Italians investors, developing business with customers in various market segments

DISTRIBUTION NETWORK

Arca Fondi SGR can count on a large distribution network, one of the most important and extensive of such networks in Italy. This allows Arca Fondi SGR to distribute its products across the entire country.

The distributor network is made up of more than 120 regulated financial institutions operating through more than 8,000 branches, a team of independent financial advisors, and on-line channels.

AWARDS

In recent years Arca Fondi SGR has received several awards for Italian mutual funds and


Milan Cathedral

pension fund such as:
• Il Sole Ore – Premio Alto Rendimento: Arca Fondi SGR – Fondi Italian BIG – Miglior Gestore 2013 – 2014, 2015, 2016.
• Morningstar Fund Awards:
 • Prima Società Italiana per Rating Morningstar nel Morningstar Rating Analysis of European Investment Funds – 2016.
 • I° Classificato – Fondo Arca Obbligazioni Europa – Miglior Fondo nella Categoria Bilanciati Prudenti – 2015.
• European Funds Trophy: Arca Fondi SGR - Best Italian Asset Managers 8 to 15 rated funds 2014, 2015, 2016.
• Milano Finanza Insurance & Previdenza Awards: Arca Previdenza - Premio Tripla A – 2014, 2015.
• Istituto Tedesco Qualita' e Finanza: Il Classificato – Top Gestore Fondi Italia BIG 2017.
• Milano Finanza Global Awards: Arca Fondi SGR Leone D'oro Milano Finanza – Miglior Campagna Multimediale – 2016.
• Milano Finanza Global Awards – Premio Tripla A:
 • I° Classificato – Fondi Italiani BIG – Miglior Gestore – 2013.
 • I° Classificato – Arca Bond Paesi Emergenti – Miglior Fondo Obbligazionario Emergente – 2013.
 • I° Classificato – Arca Rendimento Assoluto t5 – Miglior Fondo Flessibile – 2013.
 • I° Classificato – Arca SGR – Maggior Numero di Rating AAA – 2012.
 • I° Classificato – Arca Rendimento Assoluto t3 Tripla A – 2012.
 • I° Classificato – Arca Rendimento Assoluto t5 Ttripla A – 2012.
• Premio Internazionale Le Fonti 2016:
 • Ugo Loser: CEO dell' Anno Risparmio Gestito – 2016.
 • Arca SGR: Società di Gestione dell'Anno Branding & Comunicazione Finanziaria – 2016.
• Capital Finance International: Vincitrice Europea del Best Emerging Markets Debt Manager – Europe – 2015, 2016.

ASSET GROWTH

• Acquisition of OPTIMA OICRs (AUM €927m).
• Acquisition of VEGAGEST OICRs (AUM €540m) and BPVI OICRs (AUM €793m), and institutional mandates (AUM €1,074m).
• completed acquisition of CARIGE OICRs (AUM €3,260m), pension fund (AUM €422m), and investment advisory on segregated account. This deal added a new distributor of Arca products - Gruppo Banca Carige with more than 600 branches in Italy.

Arca Fondi SGR aims to create significant added-value for its customers on a continuous basis over time. The company manages both broadly style-neutral portfolios, in order to deliver consistently good long-term performance comparable with benchmarks, according to its proprietary risk parity methodology.

ARCA Fondi SGR manages:
• Traditional products and mandates: the allocation involves the balancing of investments between different asset classes (defined by industry or geographic area).
• Total return products and mandates: regardless of the trend of the financial markets, these products, whose volatility is limited, are aimed at achieving a positive return over a pre-defined time horizon.
• Products employing the multi-strategy multi-manager approach: these products incorporate innovative strategies not directly correlated to the trend of the traditional equity and bond markets.

UGO LOSER – CEO AND GENERAL MANAGER OF ARCA FONDI SGR

Mr Loser has a degree in Economic and Social Sciences from Bocconi University of Milan. Prior to joining Arca he accumulated investment banking and management consulting experience at:
• Finlabo SIM and Banknord SIM (director).
• Bain & Company Italy, a promoter of asset and risk management (partner).
• Paribas (senior strategist for the European market of derivatives on fixed income).
• Goldman Sachs International (executive director of fixed income research). ❇



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> Cooperative Central Bank:

Old Values, New Perspectives

COOPERATIVE CENTRAL BANK

Cooperative Central Bank (CCB) is one of the largest credit institutions in Cyprus. Its vision is to support every household, business and local community to safeguard Cyprus' prosperous society, development and progress.

The overall mission of CCB's strategy is to restructure the Cooperative Credit Sector (CCS) into a viable, vital, and dynamic component of the Cypriot banking system, which will maintain the diversity of the financial system and enhance the overall financial stability by offering its clients accessible, affordable and competitively priced services and products. More importantly, CCB aims to redesign its operating model and adopt innovative strategies and processes towards achieving a more competitive and attractive model.

The CCB provides retail and commercial banking services to its members, who are mainly residents of the Republic of Cyprus, based on a simple and transparent operating business model. CCB operates either within a certain geographical area or target a specific market segment based on profession or an affiliation in order to have proximity to and a profound knowledge of its members and clients.

CCS is regulated by the Central Bank of Cyprus and supervised by the ECB and SSM.

VALUES

CCB aims to enhance the long term value of the cooperative sector for the benefit of its stakeholders, while retaining its customer-centric model by embracing the following values:

1. *Ethical banking:* CCS sets ethical banking as its highest strategic priority. Its ethical approach is governed by the principles of transparency, respect, equality and fairness, values that drive CCS's relationship with its customers, members, employees and society. Ethical banking establishes a deep and solid relationship with society and creates significant long-term value to the Organization and the economy.
2. *Simplicity:* CCS offers responsible banking aiming to provide suitable services and healthy



"Although CCS has been reformed, it remains the 'peoples' bank', retaining its customer-centric model and values of transparency and ethical banking to entrench peoples' confidence, protection, and trust."

lending for the real needs and financial capacity of its clients. Its customer-centric business model is characterizes by simplicity, responsiveness and respect to the customer / member and society. *Streamlining / Restructuring:* CCS operates in a changing and dynamic environment that demands a constant process of rationalization of practices as well as improved, competitive and modern services offered to its customers / members.

The financial crisis in Cyprus was taken as an opportunity for change and improvement. CCB took the necessary actions to transform itself into a better functioning credit institution through its recapitalization and restructuring. CCB has succeeded in becoming a solid and robust organization by adopting the best European and International practices and by seizing the opportunity to network and interact with important international consultants and organizations.

Although CCS has been reformed, it remains the "peoples' bank", retaining its customer-centric model and values of transparency and ethical banking to entrench peoples' confidence, protection and trust. It contributes to society and local communities by supporting local interests and local community projects, funding culture, social welfare and education, providing suitable solutions to households and playing an important role in developing and supporting local SMEs, agriculture and trade.

This economic and social contribution is essential to the CCS's future and precondition to be a meaningful cooperative and remain successful in the long term for its members, clients, employees and society. Accordingly, the need for the CCS to be closer to its customers and to its origins is a prerequisite to achieve its ambition.

CCS is connected to the future of Cyprus through its members and clients. CCS is distinguished as a cooperative bank by contributing to sustainable welfare and prosperity of Cyprus, while maintaining a competitive and attractive model, due to the size, both in terms of domestic market share and financial capacities, the branch network and the strong presence and knowledge of local and regional communities.

HISTORICAL BACKGROUND

CCB was founded in Cyprus in 1937 as a Cooperative limited liability company. The fast growing development of cooperative societies imposed the need of a central body and thus, CCB was established to facilitate the operations and respond to the short-term borrowing needs of cooperative enterprises and farmers.

CCS was recapitalised in March 2014 with €1,5b of state aid based on the provisions of the Memorandum of Understanding (MoU) agreed between the Republic of Cyprus and Troika. The Republic of Cyprus became the major shareholder with a 99% ownership of CCS. In December 2015, CCS prepared the amended Restructuring Plan in order to allow for an additional capital injection of €175m by the Recapitalisation Fund and strengthen the capital buffers of the Bank. The significant increase in the minimum capital required through the 2015 Supervisory Review and Examination Process by SSM and the sizable additional provisions requested on the basis of stress assumptions and new macro-economic forecasts, which were booked in the Q3 2015 results, have created the need of additional capital. The purpose of the amended Restructuring Plan is to achieve further rationalisation of the CCS through operational/organisational integration and operational efficiencies as well as to restore CCB's access to capital markets.

Total liquidity	€4 bn
Deposits	€12,5 bn
Coverage ratio for 90+ DPD	55,8%
Total provisions	€3,3 bn
Liquidity ratio	32,3%
Branches	246
Employees	2771
Loans	€12,3 bn
Net Loans/deposits ratio	72,1%
Capital ratio	16,5%
Equity	€1,3 bn

Cooperative Credit Sector: in numbers (30.09.2016)

In an effort to achieve harmonisation, as well as an enhanced organisational and management structure, CCS proceeded with a number of mergers, beginning from 2002. The number of Cooperative Credit Institutions (CCIs) operating throughout Cyprus prior to these mergers, stood at 361. In October 2013, the CCS commenced the process of merging the CCIs into 18 entities, in line with the provisions of the Restructuring Plan. The process was completed in March 2014.

On the Extraordinary General Meeting on the 30th of December 2016, the shareholders of CCS approved the legal merger of the 18 CCIs with CCB. The legal merger is expected to increase the value of CCB and strengthen its efforts to form a modern corporate governance framework, which will enable it to become more transparent, competitive and attractive to future investors.

GOALS

The fundamental goal of CCB is to restore the soundness of CCS and increase stakeholders' value. The objectives of the CCB demonstrate leadership in how it should deliver its mission in a sustainable manner given the realities of the times and especially the current economic and financial environment. The main objectives of CCS are to achieve excellent customer focus, enhance performance by improving its competitive positioning and exploiting new business opportunities, achieve high efficiency and sustain superior asset quality as well as a solid capital position and high liquidity. ❊

> Davos:

Growing Awareness of Growing Unease

By Wim Romeijn

William F Browder of Hermitage Capital Management has been a Davos regular for over twenty years, unfailingly embarking every January on a pilgrimage to the Swiss resort town to mingle with his peers, swap experiences, and ponder the challenges ahead. As the 3,000-odd participants of the World Economic Forum's (WEF) annual meeting considered the restless world, Mr Browder noticed that, for the first time, consensus proved elusive: "Whilst everybody is staring into the abyss, nobody agrees on the answers."

The challenge for this year's Davos gathering was finding ways to engage disgruntled voters – those who propel populism upwards – and show them the benefits of globalism, i.e. the world created by the Davos Man for his own enjoyment. In a tweet from the Davos Congress Centre, one of the participants, a political analyst, concluded that the "elites" won't be able to halt the rising tide of populism until they start seeing it as a symptom instead of a threat.

In a sign that business-as-usual is being undermined, billionaire hedge fund manager Ray Dalio was driven to near-exasperation during one of the panel meetings on how to address the crises assailing the middle class, exclaiming: "Populism scares me." Mr Dalio offered a tentative solution by way of lowering taxes and advancing deregulation. As such, the hapless billionaire put his ignorance on display for all to see – and shudder. The poor man seems clueless as angry peasants get ready to storm his castle.

Jack Ma, founder of Alibaba – the world's largest marketplace – and apparently more in touch with reality, put in his tuppence and concluded that Americans in particular are not well-versed in properly distributing national income. Meanwhile, George Soros, forever known as the man who broke the Bank of England, put his trust in the strong democratic institutions of the United States to prevent President Trump from becoming a dictator: "He would most certainly turn into one if it were not for our traditions and institutions," Mr Soros added during a dinner meeting he hosted Thursday evening in Davos.

As of late, the celebrated billionaire investor and philanthropist has been caught out on the wrong side of events, reportedly losing up to a billion dollars on sterling long positions in anticipation of a Brexit rejection by British voters. Mr Soros compounded his loss by shorting the US dollar in the wake of Donald Trump's election to the White House. In Davos, the Hungarian-American investor admitted that the US market is likely to remain bullish as the Trump Administration promises more deregulation and lower taxes. However, Mr Soros does not share in the optimism and revealed that he insists on shorting the market: "It will not do very well and I remain convinced that the Trump Administration will prove a monumental failure."

If anything good came out of Davos this year, it was the realisation that business leaders at long last seem to have become aware of the growing unease. According to a survey amongst "elite respondents" in 28 countries conducted by American PR giant Edelman, trust levels are crashing. The poll found a "yawning trust gap emerging between elite and mass populations". Accounting firm PwC confirmed the findings. Its survey of close to 1,400 corporate executives in 79 countries discovered that 44% of respondents did not believe that globalisation had helped reduce inequality. The view prevalent in the lower ranks of the corporate food chain was noticeably dimmer.

"The most shocking statistic of our whole study is that half the people who are high-income, college-educated, and well-informed also believe the system doesn't work," said Richard Edelman who was 'stunned' by the lack of confidence amongst the elite. However, Mr Edelman thinks that popular anger is misdirected and said that over the next fifteen years, technological innovation will have a more adverse effect on middle class incomes than globalisation. As such, the current debate may already be out of date and any attempt to reverse globalisation pointless. According to economic strategist Gerard Minack, robotics and artificial intelligence will shortly eliminate the need for low-cost labour. "At that point – and it is not too far away – workers in both developed and developing markets will feel the pain, intensifying the call for action."

The 2017 annual meeting of the WEF showed that most of the world's movers and shakers are unsure what to make of the new US president. There is much concern that President Trump's refusal to take climate change seriously could lead to a global meltdown. Off the record, many expressed dismay at the administration's America First policy. US business leaders were reluctant to be seen – much less photographed – in the presence of Chinese participants, considering close proximity could be interpreted as cosying up to the new enemy.

Davos 2017 also showed that banks are no longer deemed the universal villains. Bankers found themselves wooed by government representatives eager to secure their business in the post-Brexit world. Contrary to past years, delegates to the meeting were much less eager to offer predictions, refusing to call the French elections or entertain scenarios in a Europe sans Great Britain. George Soros proved the exception.

Britain was given the cold shoulder. Despite putting on a good show, Prime Minister May largely failed to convince the Davos crowd that turning her back on the world's largest free trade bloc meant that the UK is set to somehow become a beacon of global free trade. Predictably, the spin didn't stick.

Meanwhile, China put in a gargantuan effort to portray the country as the saviour of globalism. Whilst heads bobbed in agreement, private thoughts were peppered with question marks. Whilst President Xi Jinping's high-profile presence was much appreciated, and lent a certain cachet to the proceedings from which Chancellor Merkel was noticeably absent, the general attitude on China was one of wait-and-see with few delegates wholeheartedly buying into China's narrative.

Whilst the 2017 Davos confab shows that the powerful are not entirely alienated from reality. However, meaningful solutions remain in short supply. The noises produced bear the hallmark of political correctness – everybody is mightily concerned about "global imbalances" and such – but in truth, the participants of the forum trek up the mountain for one reason only: to seek advantages.
Governments aim to attract investors who, in turn, come armed with wish lists, itemising the obstacles to increased profits. Representatives of civil society – bravely proclaiming the need to address inequality, global warming, and other collective ills – are caught in the middle: while the big boys talk business, they may provide the soothing narrative, ensuring all and sundry that attention is duly being paid to righting the wrongs of global capitalism.

Conceived as a private venue for decision makers to meet, talk, and plot a better future for the world, the WEF flagship event in Davos has become a media circus that trains microphones and cameras on assorted bigwigs who patiently explain that – no – they are not to blame, and – yes – they will promptly fix whatever issue causes concern.

As the 2017 talk-a-thon winds down and the participants disperse, the world has found out that China is the new champion of globalisation; robots are coming to steal jobs; inequality remains a concern; and Great Britain is turning inwards in order to become a beacon for free trade. Indeed, responsive and responsible leadership is required to make sense of it all. WEF Founder and Executive Chairman Klaus Schwab read the times correctly when setting this year's theme. It is scarcely his fault that others seem to lack his well-justified sense of urgency. ❊

> CFI.co Meets the CEO of Cooperative Central Bank:

Nicholas Hadjiyiannis

Nicholas Hadjiyiannis holds a degree in Quantity Surveying from the University of Reading in the UK and Master's degree (1995) in Shipping Trade and Finance from City University Business school in London. He is a fellow member of the Royal Institute of Chartered Surveyors (FRICS). Mr Hadjiyiannis worked from 1995 to 2013 at Bank of Cyprus in Greece and Cyprus; at Merrill Lynch in Greece and the UK; and at BNP Paribas in Cyprus and Switzerland.

Following the troika support programme of Cyprus in 2013, and the recapitalization of the banking system, he was appointed and served for two years as chairman of the board of directors of the Cooperative Central Bank (CCB) Cyprus, the second largest systemic bank in the country. In December 2015, Mr Hadjiyiannis was appointed CEO of the bank, managing it in a complete transformation and restructuring process and working its way towards a local stock exchange listing.

Mr Hadjiyiannis said that the operation of rescue, reorganization, and growth of the cooperative credit sector during the very difficult conditions that the country faced in 2013, seemed almost mission impossible. Three years later, the bank streamlined and consolidated both operationally and structurally, faces the future with more optimism and self-confidence. It has achieved a lot and laid the foundations for the creation of a modern and competitive bank based on a culture that has deep roots in the heart of locals.

"Looking back and seeing all that we have achieved up to this day, we have the self-confidence and belief that our ongoing efforts will continue yielding positive results," Mr Hadjiyiannis underlined.

"Our primary strategic goal," continued the CCB CEO, "is to privatise the bank by listing it on the local stock exchange. This will be a major milestone, setting new framework and enhancing the prospects of the bank. This in just three years after receiving state- support and embarking upon the most ambitious and unprecedented restructuring and transformation project that ever took place in the country. The significance is ever bigger as we are a Eurozone systemic bank, supervised by the ECB, and our balance sheet corresponds to more than 80% of the country's GDP".

Mr Hadjiyiannis strongly shares the wide-held belief that the Cooperative Central Bank is different from the other commercial banks on the island. "We are different because we rely on our heritage and build on the good things and positive elements that the coop has done and contributed to this country. We work alongside our customers aiming to establish a balanced long-term relationship. As an example our loan restructurings are based on the idea that we have to work with people who are, after all, our members themselves and their families through generations. We are an alternative choice to today's 'mechanized' modern banks."



CEO: Nicholas Hadjiyiannis

As for the future of the Cooperative Central Bank, Mr Hadjiyiannis is confident that, after everything achieved so far, it can continue on what he calls "this great transformation path", saying, "we are fighters and we are determined to see the bank achieve its full potential." ❊



> TKP Investments:

New Solutions for Pension Funds and Charitable Institutions

TKP Investments, a wholly owned subsidiary of Aegon Asset Management, is dedicated to providing investment consultancy and fiduciary management services to institutional clients such as pension funds and charitable institutions. Last year, the CFI.co judging panel awarded TKP Investments the 2016 Best Risk Management Advisory Team of The Netherlands Award. Since then, the company has successfully continued its innovative and forward looking approach with a strong focus on sustainability, accessing new markets, and finding new solutions for the changing pension fund sector.

TKP Investments – an offshoot of the original pension fund of state-owned Post and Telephony Company (PTT), since dismembered and privatised – currently offers investment management and advice to approximately thirty clients. The firm has over €25 billion in assets under management and advice.

FOCUS ON CUSTOMER CENTRICITY

The company believes in a customer centric approach, focus on excellent performance, and new pioneering solutions. As an experienced integral asset manager, TKP Investments offers a full asset management and risk control advisory service that allows clients to stay in full control and closely monitor the performance of their investments. TKP Investments realises that each client has unique requirements or specific concerns that call for a bespoke approach. CEO Roelie van Wijk explains: "At TKP Investments we are able and willing to make a difference. Our organisation and services are therefore focused on being able to provide customisation. A long term relationship and strategic partnership with our clients is our priority in this respect. We are convinced that our strong customer centricity forms the key to our success."

SELECTION OF BEST-IN-CLASS ASSET MANAGERS WORLDWIDE

As a firm believer in innovation and continuous improvement, TKP Investments is a pioneer



of the multimanager approach. Mrs Van Wijk: "Our investment teams select the best-in-class asset managers worldwide. This allows us to easily adjust in order to meet customer preferences and market opportunities across the entire universe of asset classes, increasing the chance of achieving higher than average returns at a sustainable level. At the same time, we offer our clients economies of scale that reduce overhead expenses. To further meet our customers' needs, we continue to develop new and interesting multimanager investment funds. Furthermore, being part of Aegon Asset Management gives us the opportunity to harness the investment expertise of our colleagues around the globe."

NEW SOLUTIONS FOR ONE OF THE WORLD'S BEST RETIREMENT SYSTEMS

TKP Investments has also been one of the first to explore and exploit the new opportunities becoming available as an era of consolidation sweeps the pension fund sector in The Netherlands – a universe worth in excess of a trillion euros. According to the 2016 Mercer Global Pension Index, The Netherlands have the second best retirement system in terms of adequacy, sustainability and integrity. Together with Denmark, The Netherlands are the only country to hold an enviable A grade status. The pension fund sector's consolidation may largely be ascribed to legal changes to pension fund law and a collective exercise in cost containment. This results in considerably fewer but larger pension funds with increasing responsibilities and demands.

OVERWHELMING INTEREST IN THE FIRST GENERAL PENSION FUND OF THE NETHERLANDS

TKP Investments has been at the forefront of these developments and facilitated the first licence to manage a pension fund under the new legislative framework. In mid-2016, the formation of Stichting Algemeen Pensioenfonds (APF) – better known as Stap APF – was announced, which proved to be the first general pension fund in The Netherlands. This new long term investment vehicle provides a solution for pension funds that no longer wish to continue independently due to stringent statutory requirements and high costs. Mrs Van Wijk: "Interest in the newly structured general pension funds has been overwhelming, with Stap APF being a step ahead of the competition thanks to the excellent reputation enjoyed by all parties involved. At TKP Investments, we are proud to be entrusted with the fiduciary management of Stap APF.

SHARING OUR EXPERTISE ON LIFE CYCLE INVESTING

TKP Investments is also very pleased with its involvement in PPI Cappital, another pioneering solution in the Dutch pension fund market. A premium pension institution (PPI) is a form of collective defined contribution schemes for multiple employers. The introduction of the PPI vehicle is a natural response to the increasing popularity of defined contribution schemes. As fiduciary manager of PPI Cappital, TKP Investments advises on the design of life cycles and offers suitable investment solutions. Apart from our contribution to PPI Cappital, we are currently exploring promising opportunities to distribute our expertise on life cycle investment strategies abroad, including Germany and Spain, using a range of UCITS funds."

LEADING ROLE IN SUSTAINABILITY

Sustainability is another area in which TKP Investments is taking a leading role. With increasing societal demand for sustainability and responsibility, the financial sector is being called on to contribute to a better planet too. TKP Investments teamed up with the prestigious Investment Leaders Group (ILG) facilitated by the Cambridge Institute for Sustainability Leadership. The ILG is a global network of pension funds, insurers, and asset managers committed to advancing the practice of responsible investment.

Mrs Van Wijk explains: "At TKP Investments, we believe in a sustainable approach to all our investment solutions. We are pleased to see that an increasing number of customers and markets are seeking investment solutions which not only support their investment goals but also focus on environmental, social, and governance (ESG) issues. Two of our new funds – one focusing on active Long Term Investing (LTI) and one on passive Socially Responsible Investing (SRI) – offer an above average focus on sustainability criteria. In the long run, we believe that by combining sound investment decisions with ESG responsibilities, we can offer our customers and markets above average returns with a positive ESG impact."

CHARITABLE INSTITUTIONS ENTERING SOCIALLY RESPONSIBLE INVESTING FUNDS

With these sustainable investment funds, TKP Investments has created not just a new and innovative offering but also a means of entering new markets, such as that of charitable institutions. With leading, well respected Dutch charity fund Prins Bernhard Cultuurfonds, TKP Investments already has a launching customer for the Socially Responsible Investing Fund.

Mrs Van Wijk welcomes the new opportunities these institutions have to offer: "Charitable institutions are proving to be very similar to pension funds in terms of long term investments and sustainable investment horizons, and offer exciting new opportunities for long term partnerships. Not only are the investment goals of these organisations a good match with our own views, we are also very proud to be able to make a difference for their financial future and continuity. We are convinced that more charitable institutions will discover the benefits of our customer centric and sustainable approach and our thorough knowledge of investment processes."

PROUD SPONSOR OF A PARALYMPIC CHAMPION

Last but not least, TKP Investments takes responsibility in other societal areas as well. "We are equally proud of our long term sponsorship of blind tandem cyclist Tristan Bangma, who won a gold medal in the Paralympics in Rio. We believe Tristan is a true role model of perseverance and financial independence: his visual disability didn't stop him from achieving his goals in life." ❊

> Xpress Money: Global Coverage

Today, Xpress Money is one of the world's largest money transfer brands. Established in 1999, in the United Kingdom and headquartered in Dubai, the brand offers innovative payment solutions to millions of expats residing away from their homes.

With an extensive network of around 180,000 agent locations in 160 countries globally, Xpress Money maintains its competitive advantage and remains at the leading edge of customer experience. The company has transformed its overseas presence in the last few years by strategically collaborating and growing its global network of partners and alliances to facilitate cross-border remittances – these include renowned international money transfer operators (IMTOs), banking as well as non-banking institutions, telcos, and online remittance players.

Over the years, Xpress Money has strived to develop convenient, affordable, and secure payment solutions that include cash pay-outs, account credits, cardless pay-outs through ATMs, credits to remit cards and mobile wallets, and door delivery services. Additionally, the company understands the growing needs of customers and their demand for alternative options to remit funds, considering the advances made in the Internet and mobile technology space. To address these needs, Xpress Money launched Xopoto, a social international money transfer app that offers customers in the UK a way to digitally remit funds to their beneficiaries residing in different countries across the globe.

Keeping the customer's trust is an imperative part of the remittance industry – a thought that finds resonance in the seriousness with which security and compliance is approached at Xpress Money. The brand's best-in-class security checks and seamless support ensures that every transaction reaches its destination in a safe and secure manner.

"Keeping the customer's trust is an imperative part of the remittance industry – a thought that finds resonance in the seriousness with which security and compliance is approached at Xpress Money."

The company is known for its error-free track record owing to its robust anti-money laundering (AML) and anti-terrorist activity (ATA) compliance processes that provide comprehensive risk intelligence and keep Xpress Money's network tamper-free and secure.

Xpress Money believes that collaboration between partners in the financial supply chain is a great way of bringing new value and greater convenience to customers. With this philosophy, the company has introduced an open technology platform called the plug-and-play model that helps in extending the brand's international transfer capabilities to its partners – allowing them to plug into the Xpress Money platform and partake in the remittance industry. The company believes in digital innovation, because it helps serve customers better. In fact, digital transformation is one of Xpress Money's key strategic focuses; the brand is continuously innovating new digital channels that can create a seamless user experience across continents, partners, and regulatory landscapes. ❇

"With an extensive network of around 180,000 agent locations in 160 countries globally, Xpress Money maintains its competitive advantage and remains at the leading edge of customer experience."



> Eurohold:
Proximity to Clients

eurohold
Corporate Finance since 1989



Pascal Vieilledent & Jean-François Alandry

Eurohold is a corporate finance advisory firm founded in 1989 in Barcelona which has defended since its set-up a different model in terms of proximity to individuals, companies, and sectors.

Leader in Spain in number of midcap transactions over the last years, Eurohold has created its own international network which is constantly growing in order to accompany its clients worldwide.

The team of professionals that forms Eurohold combines corporate finance specialists and industry experts from different nationalities, enabling it to offer a global and independent service at an international level.

Eurohold offers corporate finance services to multinationals, private equity funds, and to private companies, acting from the conception to the structuring and closing of transactions, bringing its strong experience in each process step: valuation, information memorandum writing, transaction definition, fund structuring, counterparts identification, supervision and management of confidential documents, negotiations organisation, due diligence and vendor due diligence supervision, data room organisation, supervising of all kind of contracts including letter of intent, memorandums of understanding, and SPWA (sale/purchase).

Eurohold also relies on strong ethical values, a clear midcap orientation, a focus on cross-border transactions, and an ability to generate transactions thanks to deep sectors knowledge.

MANAGEMENT

Eurohold Managing Partner *Jean-François Alandry* is the co-founder of the firm created in 1989. Mr Alandry has over 25 years' experience in corporate finance. He completed dozens of deals in his career, advising numerous corporate transactions, both with industrials and private equity firms in various sectors including technology and telecommunications, environment, B2B services, and healthcare. Mr Alandry holds a MBA in Finance from the EM Lyon Business School and a PhD in Financial Technique from the ESSEC Business School in Paris. He lives in Barcelona, Spain, since 1987 and can easily work in French, Spanish, English, and Catalan.

Eurohold Managing Partner *Pascal Vieilledent* is the co-founder of the firm created in 1989. He has over 25 years' experience in corporate finance, completing dozens of corporate transactions, both with industrials and private equity firms in key sectors including the pharmaceutical industry, distribution, transport/logistics, and consumer goods, including the wine industry. Mr Vieilledent holds a MBA from the Montpellier Business School in France and lives in Barcelona, Spain, since 1987. He can easily work in French, Spanish, English and Catalan. ❊

> Novus Group International: What, Why, How? From Numbers to Knowledge. Reinventing the Market Research Industry

NOVUS

How do I get more customers? How do I increase my revenue? How do I win the election? Obtaining an answer to the question "how" is the focus of most management teams and the organisation circle around different ways to answer different versions of the "how" question.

However, that is seldom the question being asked when getting around to do some sort of research.

The question market researchers are most often asked is "what": What is the support for my product; What do people think about our policy, etc.

As an industry, the focus is on answering "what". What is very easy to answer with charts and numbers. A focus on data collection and an effort to outbid each other to provide the numbers that will answer the "what" question. Focus is on low production cost and speed. But in the race to lower costs, the value for the customer is also shrinking. Because the answer they really want answered is not "what" – what they really seek is clues to answer "how".

"What" is only once piece of the puzzle. To get to "how", one also needs to understand "why". Why is my support at that level? Why is my policy not appreciated? And so on.

Here is where Novus differs from the rest of the market. The firm knows that there are three steps to provide knowledge that has true value for the customer. Novus realises the context and helps customers with the relevant information. Relevant knowledge is more valuable now than ever. It is more time sensitive. It also is more challenging to be able to navigate correctly.

That made Novus one of the most well-known market research companies in Sweden. The company understands that although the customer may ask us for "what", they want the answer to "how". To reach there, they need help with understanding "why".

What is relatively easy to answer: all you need is a solid research methodology. Why takes knowledge and craftsmanship, understanding of psychology, experience, and an understanding of the context.

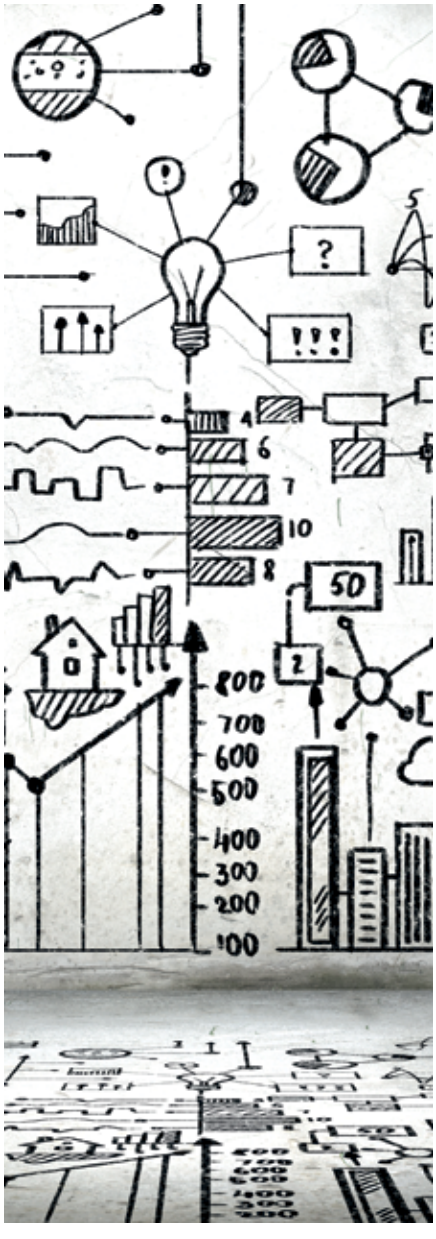
"As an industry, the focus is on answering "what". What is very easy to answer with charts and numbers. A focus on data collection and an effort to outbid each other to provide the numbers that will answer the "what" question."

How requires hands-on knowledge about the business, the market, and the mandate to act. Novus seldom acts on its findings, but answers "what", explains "why", and gives advice on "how".

Novus has also applied this knowledge to its own business. The most important step was to educate the public and media. Novus has held numerous seminars to editors and reporters describing what it does, and focused on answering why something is the way it is. Not just providing them with information about what.

To be honest, when you think about market research, you probably see a chart or a number focusing on what. Not someone explaining why, and give you leads to how that could be used.

Novus is changing that in Sweden: a market research company that focus on explaining, not only describing. ❇



> CFI.co Meets the CEO and Founder of Moneymailme:

Mihai Ivascu

A serial entrepreneur, Mihai Ivascu started social payments app Moneymailme in 2015 during his MBA at the International University of Monaco. With a decade worth of experience in start-ups, fintech, innovation, and marketing consulting, the CEO and founder of fintech "wunderkind" Moneymailme, based in London, has also previously developed other businesses such as Ingenium Media Monaco, Hotel Deals Consulting, and multiple online press projects.

Mr Ivascu is enrolled in the doctorate of Business Administration with a thesis on disruptive technologies for the financial industry currently being prepared at the International University of Monaco and Harvard University.

WHAT IS MONEYMAILME?

Moneymailme is an innovative chatting app that combines social interaction with the joy of sending and receiving e-money, instantly. From sending money back to a friend who just paid for coffee, to contributing towards a gift for a team member at work, Moneymailme facilitates micropayments, file-sharing, and chatting simultaneously, allowing users to make payments part of an enjoyable social experience.

Social impact is a core value of Moneymailme which sees most people-to-people transactions as being related to the emotions of both giving and receiving.

In partnering with GlobalGiving UK, Moneymailme has extended its service for users beyond the personal movement of cash and into the realm of helping and providing, by allowing users the ability to donate to their favourite charities and causes with zero fees.

AN IDEA

"I wanted to create a global project that will try to solve a very simple problem. Living in an international place like Monaco, everybody has their own currency in their wallet. It's quite hard to exchange money between us and to pay back friends.," explained Mr Ivascu.

The mix between chatting and sending or receiving money is a natural step in today's increasingly interconnected world. As a direct result, the current methods of transferring social money are quickly becoming outdated. The time taken to transfer funds on a P2P basis are extraordinarily long, especially if one finds herself/himself in a situation where there is a need for an immediate transfer of cash.



CEO and Founder: Mihai Ivascu

In an emergency situation, one has to be able to chat with friend or relatives, constantly assuring them you are there to help. Moneymailme brings this reassuring feeling to people. No more going home or to an office to complete a transfer, it can be done immediately by smartphone.

What do you hope to achieve? "I want to create a new normality of consumption for the Y and Z generations. We send messages, pictures, and videos all day long. Why don't we send money? Answering a growing human need, bringing together the sending and receipt of e-money, operating in multiple base currency e-wallets, keeping costs to users always to a minimum, and providing the strongest and most secure encryption on the market to ensure permanent security: that's what we have to show, and all at once.", stated Mr Ivascu. ❄

> NAWATechnologies:

The Future Is Here

Pascal and Ludovic met more than ten years ago, during an MBA Master Class for entrepreneurship in Boston. During a whale watching boat trip to Cape Cod that they decided to work together on a project involving a new concept of ultra-fast charging batteries.

An engineer with a PhD in Applied Mathematics and a researcher at CEA (French Atomic and Alternative Energies Organisation), Pascal Boulanger worked for fifteen years in various fields such as nuclear energy, solar photovoltaics, and smart grids. In 2008, he joined one of the first R&D pioneering teams in Europe working on new nanocarbon structures (carbon nanotubes and graphene). "At that time, there was a great excitement regarding nanomaterials which exhibit outstanding properties but also pose great challenges in fabricating just a few squares centimetres of them. Two years after joining the team, I demonstrated that we could produce these materials on a large scale at a competitive cost. It opened new perspectives for numerous domains of applications linked to the transportation, environment, and energy sectors," explains Mr Boulanger.

Ludovic Eveillard occupied many positions in SMEs as well as in large companies such as Honeywell where he started initially as R&D director and pursued his career in global product marketing and finally as business development manager. "When we met during the MBA at HEC school in Paris, I was looking for new challenges. I also wanted to create a company to force a technological breakthrough capable of changing the world. And that was precisely what Pascal proposed to do. At HEC, we were the two physicists of the promotion but with a big difference: I had done my career in industry and so my mindset was much more business oriented than his," comments Mr Eveillard.

Ten years later, in 2013, NAWATechnologies has been spinned-off from the CEA and created 25 jobs. The company is located in Rousset, in the south of France, just in front of the Montagne Sainte-Victoire, drawn so beautifully by the famous painter Paul Cézanne.

NAWATechnologies is specialised in manufacturing and integrating nanostructured materials in technological bricks that change the paradigm of energy transition. The company is currently developing a cutting-edge technology to provide a generation of ultra-fast batteries that can be recharged in a few seconds for up to a million of cycles. On top of being more efficient, these ultra-batteries are also cheaper, safer, and more eco-friendly to manufacture. The two cofounders,



Ludovic Eveillard and Pascal Boulanger

CEO Pascal Boulanger and Sales and Marketing VP Ludovic Eveillard, are convinced they possess a technology that will change electricity usage and transform energy storage.

"It is amazing how, in humankind's history, the way energy is used to shape cities, architecture, roads, and – indeed – our way of living has changed. Fire, steam, injection engines, and now electricity have brought revolutions. If we really want to switch from a coal-burning civilisation to a smarter and cleaner form of energy, we also need to change our habits. A good example is the replacement of cars with internal combustion engines by electric vehicles. People and car manufacturers want to drive 500km without stopping. But the truth is that a car doesn't move 95% of the time. The average distance a car is driving per day is no more than 50km. Moreover, it transports on average only 1.3 people. As President Amory Lovins of the US Rocky Mountain Institute says, we must switch from Personal Intracombustion Gazoline Steel (PIGS) to Shared Electric Autonomous Light and Services (SEALS); from personal internal combustion gasoline cars made out of steel to light shared electric vehicles. For that, the best battery would be the one that can be recharged the fastest," argues Mr Boulanger.

Another analogy could be given using data storage technology in microelectronics. Ten years ago, everybody wanted to have the biggest hard disk ever to be sure to have all data protected and available. Today, the cloud is providing the data. Now the speed of connection has become the most important parameter. In a way, NAWATechnologies opens the road to the 5G of batteries, speeding-up electricity flows, transforming the grid into an electricity cloud. The time of big batteries has passed. The moment has arrived for small ultra-fast batteries.

The two co-founders share a vision to couple nanotechnology to clean technology and are pushing the innovation one step forward. NAWATechnologies submitted to the World Innovation Challenge in 2014 the concept of a mechanical composite structure capable of storing energy. This project, called NAWASHELL, is an innovative concept that could change the way energy is stored. Mr Eveillard explains: "Imagine a world where any object could harvest energy and can stored it instantaneously. I mean things such as the casing of your smart phone, the bumper of your car, the wings of an airplane, or – why not? – the walls of your house or inside road. And think one step further: each object could be connected easily to allow instant access to this stored energy. That means that you could exchange energy like you do with water today – everywhere at any time. You create new habits, new business models, and a new economy." ❄

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> Behind the Scenes, Berlin and Beijing Are Forging a New World Order

By Wim Romeijn

Geopolitics are on the move with a possibly violent upheaval in the offing. In January, at the World Economic Forum in Davos, President Xi Jinping of China donned the mantle of globalism – promising to carry the torch about to be dropped by the United States. Whilst President Jinping seems an unlikely advocate of global free trade, his words caused an impact that is only now becoming clear.

In late January, concerned about the effects on German industry of the protectionist mood taking hold in the White House, German Chancellor Angela Merkel called Chinese Prime Minister Li Keqiang on the phone to suggest joint action to confront the 'elements of uncertainty' rocking the global economy. Chancellor Merkel was unusually frank: "China and Germany should send signals of stability to the global markets and safeguard the international system together via the liberalisation of trade and investment." The Chinese are listening: a Berlin-Beijing pact (axis?) is in the making.

German Foreign Minister Sigmar Gabriel confirmed that his country, and the wider European Union, is looking to hedge its exposure to nascent US mercantilism by turning to Asia in general and China in particular: "Europe should quickly begin working on a new Asian strategy and take advantage of the space that America is freeing up." Referring to the restrictions faced by German investors in China, Mr Gabriel admitted that China "isn't yet ready to be an equal partner." However, the minister also signalled that if the Chinese improve access to their markets, Germany is ready to strike a deal. An aide to Mr Gabriel put it more succinctly: "President Jinping's speech in Davos made it perfectly clear that the Chinese are ready to do business. We will take him at his word."

That, in any case, seems a safer bet than to try and sway the Trump Administration. Whilst the US president has thus far not targeted Germany, directing his angry tweets to Mexico and China instead, economist Carl Christian von Weizsäcker of the Max Planck Institute in Berlin thinks it is only a matter of time before President Trump unleashes his ire on the Germans. Mr Weizsäcker has urged the government to take pre-emptive action by reducing the country's massive current account surplus and thus lower Germany's profile. To accomplish this, Mr Weizsäcker proposes measures to increase domestic consumption such as lowering – aggressively – value added taxes: "This current account balance brake would be a strong weapon to use against newly growing protectionism that represents a threat to Germany's prosperity."

> "German carmakers experience little trouble finding eager buyers and are not likely to be easily intimidated by angry tweets emanating from the White House."

With an end to globalisation already in sight, the surplus is expected to shrink significantly in any case. In a recently published report, economists at Credit Suisse conclude that "globalisation has now come to an end and is slowly being replaced by a world where very distinct poles are forming – economically, socially, ethically, and politically." Professor Thomas Straubhaar of the Economic Department of the University of Hamburg – home to the Wirtschaftswunder – agrees: "At the moment, globalisation is crumbling with a reordering of the global division of labour. Germany and Europe need to find their place in this new order."

In Berlin, developments are met with disbelief and, increasingly, with a determination to find new markets and partners. Considered the litmus test of the Trump Administration's trade policy, events surrounding the North American Free Trade Agreement (NAFTA) are closely watched. The 1994 deal, known to represent one of President Trump's many bugbears, has lowered or eliminated both tariff and regulatory barriers between the United States, Canada, and Mexico. For now, conventional wisdom has it that the new US administration will shy away from tearing up the agreement as it would severely disrupt US business and cause crucial supply chains to break.

However, conventional wisdom is not what it used to be and, in the case of Mr Trump, has thus far proven wrong time and again. Car manufacturer BMW already had a brush with the new administration when it pressed ahead with plans to build a $1bn facility in San Luis Potosí to produce its Series 3 sedans. President Trump cautioned BMW not to waste its time and money building a plant in Mexico to sell cars in the US without facing a 35% import tax: "It's not gonna happen."

The Munich automaker remains unfazed and said – twice in a week – that it will build the plant regardless of what President Trump says and plans to export its Mexican-made cars the world over. BMW management also reminded the administration that the company's largest facility is located in Spartanburg, South Carolina, where over 8,800 workers last year assembled more than 400,000 X Series crossover vehicles of which 70% were exported. In fact, BMW is the largest exporter of cars in the United States.

Contrary to American car manufacturers such as Ford and General Motors, German carmakers experience little trouble finding eager buyers and are not likely to be easily intimidated by angry tweets emanating from the White House. Not so Ford, which promptly pulled the plug on a $1.6bn plant in Mexico, deciding to expand its production capacity in Michigan instead.

Germany, flush with cash and not lacking self-confidence as its resilient economy rides high, considers moving closer to Asia and, perhaps, guide Europe towards replacing the Americans after they abruptly cancelled the Trans-Pacific Partnership (TPP), leaving their allies in the lurch – and, crucially, leaving a vacuum that will be filled either by China or Europe, or possibly both. The government in Berlin is anxious to explore the possibilities and to speed up the European Union's own free trade agreements currently in the making – some sixty as of last count.

European Trade Commissioner Cecilia Malmström, unusually combative, said: "Trump or no Trump, we have a long list of countries willing to deal with the EU." First in line is Japan, the world's third largest economy, with Prime Minister Shinzo Abe visiting Brussels in March for talks on a deal that has been in the pipeline since 2013. A treaty with Vietnam has already been completed and is in line for fast-track ratification whilst Mexico has been offered a new and comprehensive FTA. A delegation from the European Parliament, enhanced with heavyweight commissioners, is set to go on a tour (roadshow?) of Latin America in order to present the EU – the world's largest market even after the UK has exited – as a valid alternative to the United States.

"An entirely new dynamic in the negotiations can suddenly be felt," says Bernd Lange, head of the International Trade Committee in Brussels. In fact, Washington's turn inwards – and President Trump's well-advertised dislike of the EU – can provide the catalyst that the now moribund European project needs to rediscover its self-worth. Professor Straubhaar: "Moreover, we do not necessarily need to revamp our entire business model since 56% of German exports still go to our oldest and closest partners: France, The Netherlands, Austria, and Italy." The economist thinks Germany – and Europe – need to get their priorities straight: "Even more than before, we are dependent on a prosperous Europe. The internal market is more important than ever before and this is why, in the face of Brexit and the Trump White House, we need to safeguard that market – protect it from assailants and broaden it to fill the space left by a US administration retreating from the world stage." ❇

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> CFI.co Meets the CEO of AmsterdamGold Group:

Luc van Hecke

The board of the AmsterdamGold Group consists of Chief Executive Officer Luc van Hecke and Chief Financial Officer Jeroen Kamphuis. Both joined the board in early 2012. Back then, it was a turbulent time in the development of the cluster of precious metals trading companies that formed the base of AmsterdamGold Group. The different branches of the group had experienced rapid growth in the aftermath of the subprime mortgage crisis but – up to that point) – lacked the knowhow and talent to build on this success.

In the years prior to the credit crunch, banks all over Western Europe closed down their precious metals departments. This left space for AmsterdamGold Group to become the largest precious metal retailer in the Benelux countries in just a couple of years. Physically trading precious metals, however, had been in decline for many years before this resurgence – experience was hard to come by. In addition, the risk management expertise of large volume trading was lacking, as well as the knowledge of modern methods of customer relations, finance, and compliance.

Messrs Kamphuis and Van Hecke were brought in from other companies to remedy this lack of available experience. Mr Van Hecke spent over four years with BinckBank, working his way up from senior trade professional to head of the trading desk. In the latter role, he managed the largest trading desk in The Netherlands, overseeing eighty traders and a daily trading volume exceeding €4.5bn. Mr Kamphuis previously worked at EY, Shell, and Heineken, managing finance, compliance, and business control for these companies and a few others in Europe.

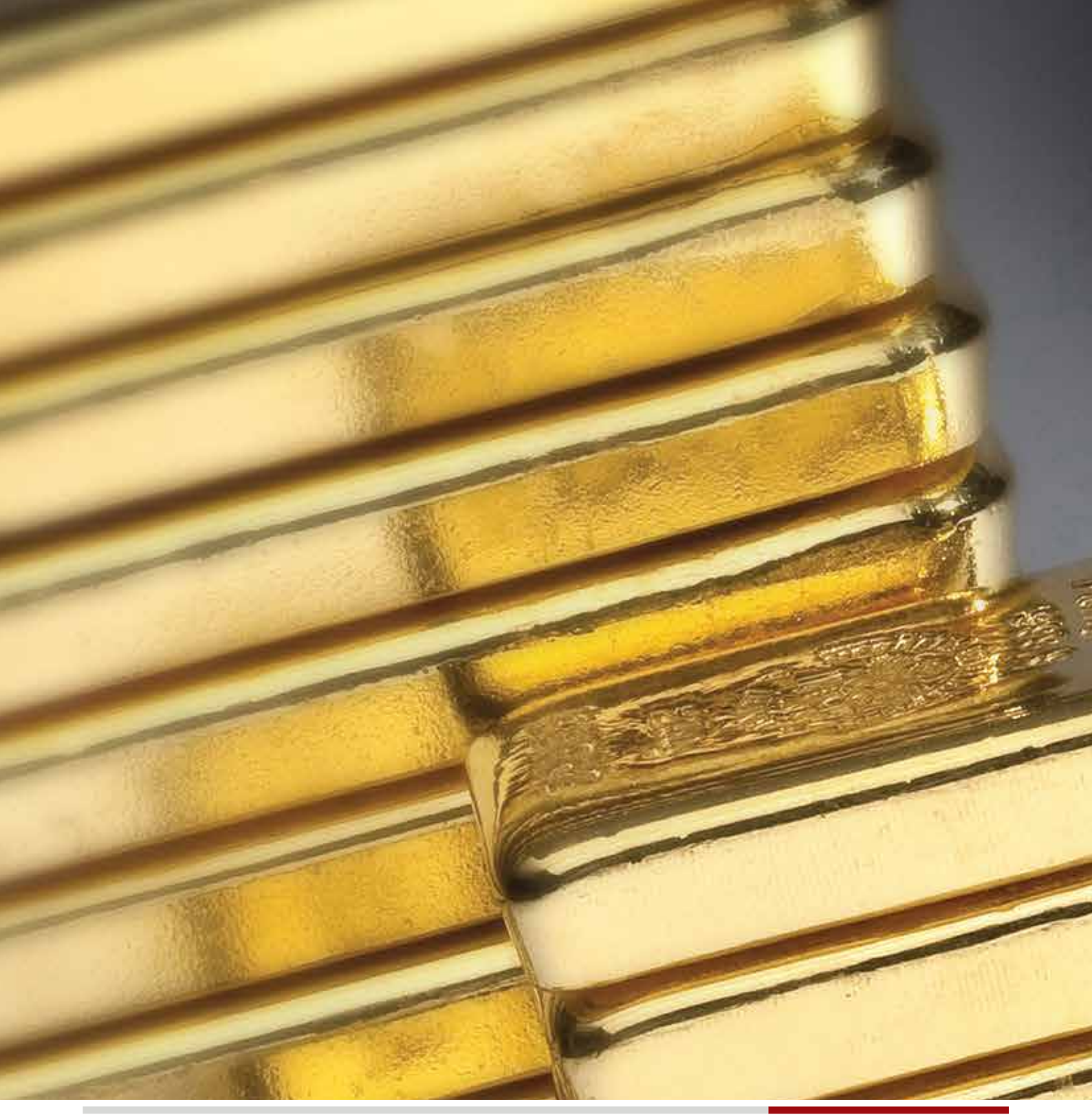
After assuming his position on the board, Mr Van Hecke worked to reduce costs, improve margins/trading, restructure the organisation, and improve the operational efficiency of AmsterdamGold. Meanwhile, Mr Kamphuis focused on legal affairs, reporting (IFRS), compliance, treasury, and risk management. The board, previously consisting of four members, was reduced by Mr Van Hecke to only two members.



CEO: Luc van Hecke

The board was not the only thing to be restructured under the tenure of Messrs Van Hecke and Kamphuis: some parts of the company were merged and less interesting business units sold. Mostly, this was needed to focus on the core business of trading precious metals and their storage. A curious side-track of precious metals trading is the collectible element. Although this can be charming, it should never take precedent over cost efficiency and offering customers investment opportunities at the lowest possible price. Mr Van Hecke managed to separate these activities in a sustainable and profitable way.

Overall, the relocation of expertise within the corporate structure showed the most significant improvements. Mr Van Hecke understands that in order for a company to best serve its clients, a cohesive and knowledgeable management team is of paramount importance. He finds it incredibly rewarding to build and nurture effective leadership. AmsterdamGold Group achieved high levels of success during a time when risk management and cost effectiveness were of made priorities. Mr Van Hecke delivers a strong product to his clients and does so in an ethical manner. ❊



> AmsterdamGold Group:

Historic Value, Modern Trading

AMSTERDAMGOLD
solid wealth

A commodity that went from the embodiment of wealth to a barbarous relic, ended up being the rallying point of cautious investors the world over. Trading precious metals in modern times requires real-time data, good contacts with stakeholders and authorities alike, and a personal touch.

It was the goldsmiths and mints that started it all more than two millennia ago. Banking, as we know it, was based on the trust deposited in gold and silver. Today, these barbarous relics are ignored by most banks, especially in Western Europe. However, demand has not waned. Incentivised by successive crises and increasingly accommodative monetary systems, investors look for lasting and tangible value wherever they can find it.

Specialised bullion brokerages, such as AmsterdamGold, now flourish on this ground abandoned by the banks.



"Creating a good team is my greatest responsibility and challenge."

Founded in 2008, the Dutch Company rode, and survived, the wave of financial distress created by the subprime mortgage banking crisis that year. Staying upright whilst on a wave is not a particularly easy matter, though it does ensure forward progression. Several mergers, spin-offs, and acquisitions later one could almost say it has been smooth sailing for the Schipol Airport-based bullion trading company. With a full service concept consisting of trading, storage, insurance, and transport, AmsterdamGold now is one of the world's more prominent precious metals traders.

A SPECIALISED TEAM

Trading precious metals requires a special kind of customer care. The trust needed for transactions – which are not processed digitally in a split second – is usually gained through a personal touch. Traders need to know their customers and agreements must be clear from the start. This is perhaps obvious, or even easy, for those who use digital portals to interact with their clients. Precious metal retail business, however, is still largely conducted in person or by phone even though advanced interfaces are available.

"Creating a good team is my greatest responsibility and challenge," says Luc van Hecke – AmsterdamGold CEO.

A commodity trader who oversaw a €1.5 billion per annum trading room, Mr Van Hecke knows what to expect from his professionals. However, the reason for larger banks abandoning physical trading in precious metals became clear soon after he took over the reins at AmsterdamGold: the challenge is to link traders to the back office in a tightly integrated yet flexible structure. For a larger corporation it is almost impossible to keep the nimbleness required in the gold trade.

A smaller and specialised company such as AmsterdamGold enjoys an operational edge. Lines of communication are kept short and straight, ensuring the smooth flow of information throughout the organisation: "For instance, it is very unusual that you would need an extremely efficient and quick logistics unit to have your risk management run smoothly, but that is the reality of physical trading," Mr Van Hecke explains. "Price risk comes with ownership. With volatile commodities such as gold, and especially silver, the last thing you want is that commodity being between owners for too long."

Of course more is needed than just a trustworthy forklift driver and an experienced trader. For good trade execution, expeditors, insurance specialists, and accurate accountants are needed that not only know their business, but also know precious metals. It is extremely important that these professionals are able to spot a potential problem and give the trading department a heads-up whenever needed. This is helpful with keeping the customer informed but, more importantly, it keeps trading risk down.

A SOLID INFRASTRUCTURE

Most precious metals investors seek independence from the integrated financial system: it is about reducing risk – mostly the risk a counterpart is unable to deliver. Gold and silver hold absolute value to the degree possible in a trade-based society. Therefore, precious metals form the best possible insurance against counter-party risk. Nevertheless, those who trade in it do not operate in a vacuum; they do need and appreciate their counterparts.

Acquiring and maintaining a large network is invaluable to the trade of precious metals. This explains why the board of AmsterdamGold obtained several specialised trading licenses and maintains good ties with Dutch financial authorities and customs. Working with the Dutch Financial Market Authority (AFM), AmsterdamGold helps develop a standard code of practice to bring the bullion trade into the 21st century. For instance, a licence issued by this market regulator is not a legal necessity nor is it common practice.

This legislative shortcoming leaves room for questionable operations. The legislator seems to be under the impression something is either a shop or a bank. Buying several kilos of gold in itself does not constitute an investment and therefore falls under the judicial imperative of a transaction in a shop. This reasoning leaves room for million-dollar trades without any oversight.

AmsterdamGold's management is not lobbying more rules. However, a way to effectively ban questionable precious metals entrepreneurs would be welcome. This would considerably reduce the cost of doing business. Avoiding the questionable element in the current climate takes up quite a bit of time. Unchecked traders inflict damage to the image of precious metals trading. This is most unfortunate because gold and silver are an investment category with legitimate exposure-based reasons to be traded in solid form. Proper oversight and a professional standards would go a long way to discourage these disruptive market participants.

Until then, AmsteramGold considers having a licence, close ties to the market regulator, and enjoying Authorised Economic Operator (AEO) status with Dutch customs to offer the company a distinct competitive edge. Handling cash and gold across borders requires personal contacts, trust, and knowledge. This is gained by professionalism as opposed to adventurism. With a hard stance on dubious transactions and a well-equipped operation supported by skilled officers running a robust trading department, AmsterdamGold can secure a buoyant future for the gold, silver, and platinum trades. ❇

> Pyramidal Technologies: Cutting Edge Forensics

PYRAMIDAL TECHNOLOGIES LTD.

Alias ADVANCED BALLISTICS ANALYSIS SYSTEM

Ardavan Tajbakhsh carries out the dual role of vice-president and chief technology officer at Pyramidal Technologies. As vice-president he provides strategic leadership and vision for business development and client solutions by helping guide the evolution of the leadership structure and strategic plan and creating goals and objectives based on specific principles including quality and sound financial management. His role as chief technology officer includes, amongst other things, aligning technology vision and research with business strategy by integrating company processes with the most appropriate technologies.

Pyramidal Technologies is an advanced technology company dedicated to transforming the multibillion dollar automated forensic ballistics imaging industry. As a market driven organisation with a unique technological base, its goal is to capture the world market in this field by establishing a new standard in forensic ballistics imaging and identification. Equally important, company executives also believe they have a social responsibility and mandate to be proactive around shared interests, purposes, and values in delivering solutions that can support civil societies. They are passionate about engaging in actions that further social good, beyond their inherent responsibilities for the corporate interests of their organisation.

Pyramidal Technologies have been developing and manufacturing solutions that result in a quantum increase in efficiency for forensic scientists, crime scene personnel, and investigators to dramatically improve their ability to determine a common origin weapon for fired bullets and cartridge casings in criminal investigations. Called ALIAS (advanced ballistics analysis system), this technology enables forensic scientists to analyse more data more efficiently with the net result that more violent criminals will be identified, apprehended, and convicted.



Cartridge case exhibits.

> "This technology enables forensic scientists to analyse more data more efficiently with the net result that more violent criminals will be identified, apprehended, and convicted."

Based on integrating an innovative data capture platform purpose built for forensic ballistics, using interferometry, possessing exceptional precision with three dimensional analysis algorithms, the breakthrough concept in forensic ballistics generates an exponential increase in the data available for analysis that is far beyond the reach of the existing image-based technology. An interferometer is an advanced optical system, frequently used in astronomy, fiber optics, or quantum physics that projects conflicting light waves to produce high-resolution images and allows for precision measurements far beyond the capability of even the best camera or microscope. Because ALIAS' interferometer does not use visible light to create a "digital clone" of crime scene evidence, forensic technicians and scientists will no longer be restricted to dealing with light and dark areas on evidence they are examining produced by a directional light source.

The focus of ALIAS is to develop very high-confidence matches between evidence collected at crime scenes through a combination of numerical scores and non-traditional visualisation techniques. In concrete terms, this means that ALIAS will yield an intensely detailed 3D topographic map of a bullet or cartridge case versus the relatively limited imaging provided by competitors, thereby allowing for a higher confidence evaluation of the cartridge cases or bullets being compared. This is achieved through ALIAS' exceptional interferometer, now in its fifth generation, that has a lateral resolution of 1.6µm (micrometers) or approximately one-third the diameter of a spider's dragline silk and a vertical resolution of 200nm (nanometers) or about one-quarter the minimum thickness of a human red blood cell.

ALIAS distinguishes itself against all other products in this space in many significant ways. First of all, it is the only solution that provides comprehensive services across, as well as between, the following domains:

1. Forensic Ballistics – The forensic process of examining the characteristics of firearms as well as any cartridges or bullets left behind at a crime scene;

2. Firearms Management – Initiatives requiring individuals to formally record ownership of their firearms, usually with a state or federal agency; and

3. Criminal Intelligence – Developing investigative leads for detectives by allowing law enforcement to "mine" and analyse their own forensic ballistics evidence.

The strength of any forensic ballistics solution

"The focus of ALIAS is to develop very high-confidence matches between evidence collected at crime scenes through a combination of numerical scores and non-traditional visualisation techniques."

lies in its ability to provide irrefutable evidence in a court of law in the prosecution of a violent firearms-related case. Using a white light interferometer built by its team in Switzerland, ALIAS' unprecedented resolution allows firearms examiners to see details on crime scene evidence not available to other systems, thus empowering law enforcement officials to solve cases that others cannot. Because ALIAS is the only open architecture forensic ballistics and firearms management solution in the world today, it can be interfaced with other open systems (e.g. AFIS: the Automated Fingerprint Identification System, ANPR: Automatic Number Plate Recognition technology, border security systems used by immigration personnel, etc.) to create regional, national, or global infrastructures for security management. ALIAS' open architecture extends the ability of law enforcement officials by offering an open application programme interface (API) for "correlation", thus allowing ballistic examiners to import their own customised correlation algorithms, even if they come from an ALIAS competitor. This way, ALIAS users can extend the power and scope of the correlation mechanism to meet their specific needs, and then share data with the global law enforcement community.

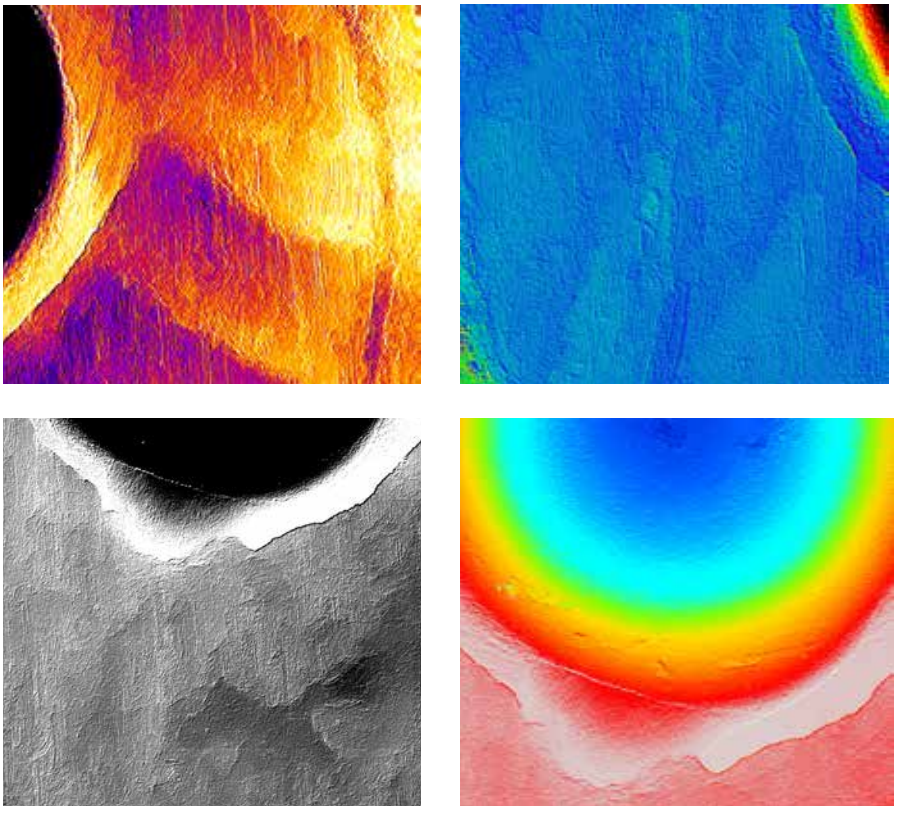
Government and/or law enforcement officials have more purchase options with ALIAS than with any other automatic ballistics identification system available today. For example, ALIAS is comprised of a suite of products related to its workflow and the workflow for forensic ballistics within a crime lab, or for firearms management. Either standalone, so called turnkey, or networked, ALIAS systems are offered as a:

1. Purchase: A client can specify the number and type of systems they desire and have a budget prepared for this acquisition (capital investment);

2. Lease to Own: A client has the opportunity to lease their purchase (e.g. over a 3, 5, or 7-year period) in order to reduce their up-front capital investment and spread this purchase over a number of years; or

3. Lease as Service: Clients take possession of any quantity of ALIAS systems where the infrastructure is owned by Pyramidal Technologies, the client owns all the criminal evidence data (that can be exported to other systems), and makes incremental quarterly payments on use of the systems. The client remains at the cutting edge of this technology as new software and hardware is rolled out annually, keeping at the forefront of the lifecycle. ❊





Close-up details of an exhibit from ALIAS that has been exported and post-processed to show details on the surface of cartridge cases. This highlights the open architecture and ability to export data in a variety of standard formats: for sharing, additional post-processing or analysis outside ALIAS using other mathematics-based or visualisation programs, even if they are on another operating system.

> World Bank:

Will Sovereign Wealth Funds Go Green?

By Håvard Halland, Michel Noël, Jacob Owens, and Silvana Tordo

Sovereign wealth funds (SWFs) currently have a very limited role in climate finance and green investment. According to preliminary estimates by the World Bank Group, SWFs' green investments in 2015 represented less than 1% of the total value of reported deals. SWFs' performance in climate finance is reportedly below the average for institutional investors. According to the Asset Owners Disclosure Project (AODP), which evaluates institutional investors on the basis of their low-carbon performance, five of the ten lowest-rated large investment funds were SWFs.

However, the more progressive SWFs are currently divesting from assets with high climate-related risks, and some countries are pondering whether their SWF should take a more proactive role in green finance. What lies ahead for SWFs in this rapidly changing landscape?

SWFs' IMPACT ON CLIMATE FINANCE

The sheer amount of capital managed by SWFs means that their impact on green finance, while historically marginal, has the potential to become significant. According to the Sovereign Wealth Fund Institute (SWFI), SWFs hold assets worth approximately $7.4 trillion, and the total capital of SWFs has more than tripled over the last decade.

But SWFs' mandate does not typically include green finance. To the extent that they have been active in this area, it has been to reduce climate-related risk to their portfolios – including exposure to fossil fuels. For example, last October the $22.6 billion New Zealand Superannuation Fund (NZSF) announced a strategy to address climate-change risks that represent a "material" issue for long-term investors, and to "intensify its efforts" in areas including alternative energy, energy efficiency and "transformational" infrastructure. Norway's giant Government Pension Fund Global ($900 billion) has adopted similar policies to reduce climate-related risk.

The 2016 annual meeting of the International Forum of Sovereign Wealth Funds (IFSWF), which was held last November, focused on the long-term impact of climate change on SWF portfolios, as well as on new investment opportunities that may arise from the transition to a low-carbon economy.

HOW GREEN ARE SWFs NOW?

Current reporting on SWFs' investments does not allow for a precise analysis of these funds' role in green finance, but some preliminary numbers can be established. According to preliminary estimates contributed by the World Bank Group to a recent OECD report, only 118 of 30,080 transactions between 2006 and 2016 can be classified as green. This is equivalent to 0.7% of the value of all reported deals during the period, or 3.6% of infrastructure, energy, and utility investments.

> "As the global green investment agenda gains further traction, and as pressure builds on investors to green their portfolios, the more transparent and climate-conscious funds could help build initial momentum."

According to the same estimates, in 2015 green investments represented 0.9% ($1.2 billion) of the value of all reported deals – up from zero in 2006. The share for 2016 may be higher, at 3.5% – equivalent to 13.4% of infrastructure, energy and utility investments. However, this recent uptick is driven by a small number of large deals, and it could be just a temporary blip. Overall, SWFs' involvement in green finance remains very low.

STRONGER CLASSIFICATION AND REPORTING SYSTEMS NEEDED

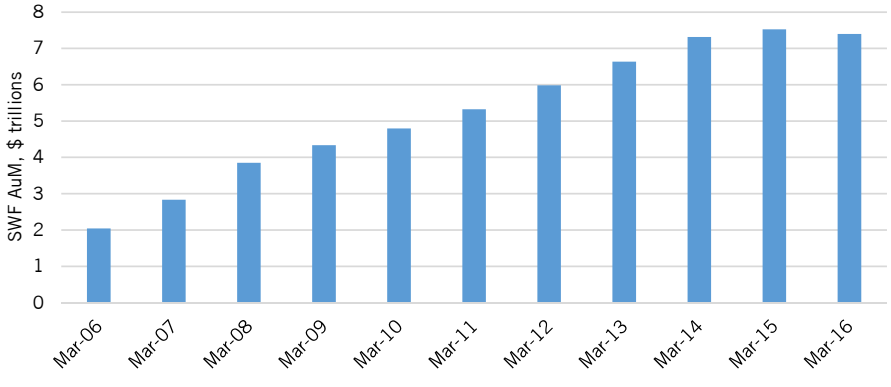
Although some of the more progressive SWFs have recently shown more willingness to take climate change into account, a broader engagement is likely to require a strengthening of SWFs' classification and reporting systems for green investments. Several international standards and classification systems are used to assess investor performance in green finance, including the Climate Strategies and Metrics; the Climate Change Investment Solutions; as well as the AODP Global Climate Index, which provides a standard for assessing how large global investors conduct climate-risk management.

However, existing standards allow only for an approximate analysis of SWFs' impact. None of them are comprehensive, and most focus on policy and management rather than transaction-level criteria for green investment. A unified global standard would allow for the aggregate reporting, assessment and analysis of SWFs' involvement in green finance. It would also promote market efficiency through improved transparency.

The successful implementation of a robust classification system depends on the disclosure and thorough reporting of participating SWFs. Ideally, green finance reporting standards for SWFs would build on existing frameworks and guides. The Low Carbon Investment Registry (LCIR) – a database compiled by the Global Investor Coalition on Climate Change – relies on self-reporting by institutional investors. It could become a useful tool for SWFs. However, as of now, SWFs have minimal presence in this database.

THE ROAD AHEAD FOR SWFs

Is the role of SWFs as commercial, return-optimising investment vehicles compatible with a more pro-active stance on green finance? Some think so, though this is a subject of debate. According to a recent paper by Andersson,



Graph 1: Aggregate SWF assets under management (in trillions of US$), 2006–2016. *Source: Sovereign Wealth Fund Institute.*



Bolton, and Samama, long-term passive investors such as SWFs may hedge climate risk without sacrificing financial returns. This can be done by investing in a decarbonised index based on a standard benchmark, such as the S&P 500, while minimising the tracking error with respect to the underlying benchmark. The authors note that decarbonised indices have so far matched or even outperformed benchmark indices, as financial markets still tend to under-price carbon risk.

Oil-rich countries with SWFs could use their funds' capital to help diversify their economies away from oil while also contributing to national saving – for example, by investing in renewable energy. This would require strong and specific institutional, governance, and legal arrangements to ensure that investments are made on commercial terms, and that they crowd in rather than crowd out private investors to domestic green finance.

In light of the large amount of capital managed by SWFs, and thus their potentially significant role in green finance, it is important to strengthen the information available on these funds' green investments. The results of the work now being conducted by the Financial Stability Board's Task Force on Climate-related Financial Disclosures could be of great relevance to SWFs. The task force, chaired by former New York Mayor Michael Bloomberg, aims to develop "voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders."

SWFs differ widely in terms of investment strategy, transparency and disclosure of information. As the global green investment agenda gains further traction, and as pressure builds on investors to green their portfolios, the more transparent and climate-conscious funds could help build initial momentum. In time, traditionally less transparent SWFs might find it in their interest to join them. ❊

This article is based on the authors' contribution, on behalf of the World Bank Group, to the recent OECD Progress Report on Approaches to Mobilizing Institutional Investment for Green Infrastructure. Interested readers can find the details on methodology and estimation within that report. The paper referred to above is "Hedging Climate Risk", by Mats Andersson, Patrick Bolton, and Frédéric Samama, Financial Analyst's Journal Vol. 72, Number 3, 2016. An abbreviated version of this analysis was first published on the Bank's "Private Sector Development" blog.

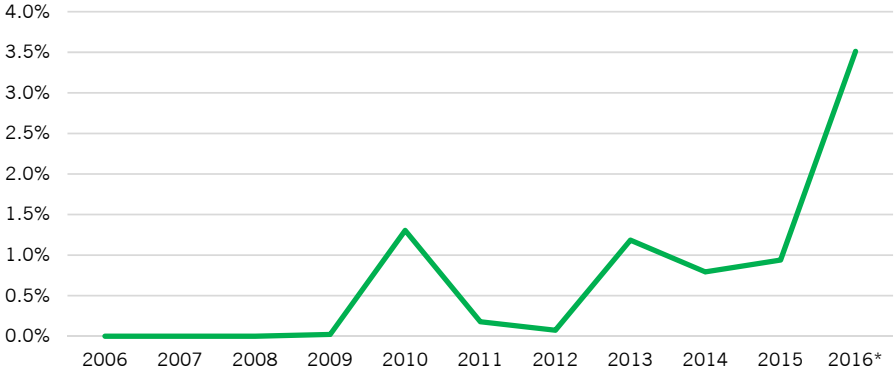
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Graph 2: Green investments by SWFs (as a percentage of total investment).

*Source: Sovereign Wealth Fund Institute Transaction Database; internal World Bank Group analysis. *Preliminary estimate.*

ANNOUNCING

cfi.co AWARDS 2017

SPRING HIGHLIGHTS

Once again CFI.co brings you reports of individuals and organisations that our readers and the judging panel consider worthy of special recognition. We hope you find our short profiles interesting and informative.

All the winners announced below were nominated by CFI.co audiences and then shortlisted for further consideration by the panel. Our research team gathered additional information to help reach a final decision. In many cases, senior members of nominee management teams provided the judges with a personal view of what sets their companies and institutions apart from the competition.

As world economies converge we are coming across many inspirational individuals and organisations from developing as well as developed markets - and everyone can learn something from them. If you have been particularly impressed by an individual or organisation's performance please visit our award pages at www.cfi.co and nominate.

> BANQUE DE FRANCE: BEST CENTRAL BANK GOVERNANCE EUROPE 2016

The French pillar that supports the Eurosystem, the Banque de France plays a crucial role in contributing to preparing, implementing, and explaining monetary policy as well as to assuring financial stability across the euro area.

Banque de France provides the staff of the French prudential supervision and resolution authority (Autorité de Contrôle Prudentiel et de Résolution) that oversights 779 institutions from the banking sector and 826 insurance undertakings. The central bank also ensures the smooth running of domestic and cross-border payment processes and monitors the financial system to identify stresses early-on.

Uniquely, the Banque de France also plays an intermediary role between banks and over-indebted households to reschedule their debts. The Banque de France also maintains a number of specialist services to enterprises, such as the provision of credit ratings and credit mediation notably geared towards small and medium-sized ones.

Additionally, the bank compiles and publishes a wealth of data on the French economy that allows investors and business leaders to set out their strategies.

Founded in 1800, Banque de France gained prominence after it intervened decisively to solve the financial crisis of 1848. Operating independent of political considerations, the bank has emerged as a powerful guarantor of the Eurozone's monetary and financial stability. Its robust system of governance with an executive committee at the heart of day-to-day operations, assisted by assets-liabilities and risk committees, helps ensure that the bank is ready to provide the financial and economic conditions for continued stability and sustained growth.

The CFI.co judging panel is pleased to offer Banque de France the 2016 Best Central Bank Governance Europe Award.

> GRUPO ELEKTRA: BEST CORPORATE GOVERNANCE MEXICO 2016

As poverty wanes, consumers clamour for mod-cons that add comfort to life and offer tangible proof of increased well-being. A portal for consumers of modest but growing means, Grupo Elektra has long served Mexico's budding middle class, offering a tantalisingly wide selection of consumer goods through its countrywide network of more than 1,100 stores.

From its very beginnings, the company caters to the needs of customers who are determined to work their way up the social ladder – offering a helping hand to turn dreams into reality. The formula was replicated with considerable success elsewhere in Latin America. The group's steady growth is the direct result of its widely recognised excellence in corporate governance.

Sustained by two pillars – its commercial and financial divisions – Grupo Elektra was founded in 1950. Keen to deepen the market, Grupo Elektra offers no-hassle financing to its customers. The group is one of the largest micro finance providers in Mexico. Also, Grupo Elektra's subsidiary Advance America, with over 2,000 branches, is a leading non-bank short term loan provider in the US.

The group's financial division includes the Banco Azteca which pursues a no-cost business model, offering accounts that bear interest from the first peso deposited. The group's socially-inspired business model received praise from the World Bank for its emphasis on micro-credit programmes that help generate jobs and boost incomes.

The CFI.co judging panel notes that the company maintains a solid corporate governance framework that ensures consistent results. The judges declare Grupo Elektra winner of the 2016 Best Corporate Governance Mexico Award.

> MARAN GROUP: BEST INDUSTRIAL PARK MEXICO 2017

Solid economic growth and a marked improvement in business infrastructure have propelled Mexico to the very top amongst corporate host countries. Offering a business environment that outshines most competitors, the country has welcomed a number of big-name corporations shifting production facilities away from Asia in order to up efficiencies and operating margins.

A fair number of these companies end up at the industrial estates operated by Maran Group – one of the oldest and largest to provide turn-key facilities to manufacturers seeking to exploit the geographical advantages offered by Mexico and its top-notch infrastructure.

Maran Group maintains a number of large, modern, and fully-serviced industrial estates along the US-Mexican border where it offers corporates purpose-built facilities. Just minutes away from the US border by rail and road connections, manufacturers hosted by Maran Group enjoy unparalleled access to the world's largest economy – ensuring the smooth running of just-in-time processes. Moreover, with seventeen regional universities and higher trade schools delivering a steady stream of skilled graduates, corporates have access to a vast pool of talent.

The CFI.co judging panel evaluated Maran Group in 2015 and concluded that the facilities maintained by the Mexican company are without equal. Since then, the group has further expanded its operations, welcoming new tenants, opening new estates, and adding extra facilities to existing ones. The judges wish to recognise Maran Group for its progress and declare the company winner of the 2017 Best Industrial Park Mexico Award.

> QNB ALAHLI: BEST SME BANK EGYPT 2017 & BEST RETAIL BANK EGYPT 2017

Partnering, amongst others, with the European Bank for Reconstruction and Development (EBRD), Egypt's QNB Alahli bank is actively helping local small and medium-sized enterprises (SMEs) seize opportunity and accelerate growth. Late last year, the bank yet again expanded the scope of its cooperation with the EBRD with a new $140m financial package to enhance its SME credit facilities and help improve energy efficiency in the country.

With streamlined client-facing procedures, QNB Alahli has become the preferred financial partner to Egypt's booming SME sector. The bank maintains a comprehensive suite of products tailored to suit the needs of small businesses. QNB Alahli has appointed experienced SME relationship managers in over 200 branches across the country. These professionals assist business owners with all their projects. The bank's SME services also dovetail with the Egyptian's government stated intention to encourage entrepreneurship and help SMEs, including micro-businesses reach their full potential.

Since 2013, QNB Alahli is majority-owned by the Qatar National Bank, founded in 1964. The bank has gained recognition and praise for its prudent risk management which powers exceptionally strong growth. In 2016, the bank's loan portfolio increased 55% with a tenth of the total outstanding benefiting SMEs. QNB Alahli consolidated its position as one of Egypt's largest privately-owned banks and maintains a branch network that covers the entire country.

A repeat winner, QNB Alahli has again been chosen by the CFI.co judging panel as the undisputed winner of the 2016 Best SME Bank Egypt Award. In an unusual move, the judges also selected QNB Alahli for the 2017 Best Retail Bank Egypt Award.

YAPI KREDI LEASING: BEST ENERGY SAVINGS FINANCE TURKEY 2017

Established in 1987, Yapı Kredi Leasing has grown into one of the country principal and most sophisticated non-bank financial services providers. The company partners with private business to facilitate the acquisition of capital goods and other means and agents of production.

Besides construction and manufacturing, over the years Yapı Kredi Leasing into a corporate heavy-weight, bundling a vast reservoir of knowledge, experience, and technology. The company broadened its reach to include the healthcare, printing, and nautical sectors.

With robust risk mitigation frameworks in place, Yapı Kredi Leasing is able to offer its products to businesses at various stages of corporate growth. The company maintains a domestic network of fourteen branches and has decisively moved into the renewable energy sector, supporting both solar and wind power projects with over $250m already committed.

The CFI.co judging panel recognises Yapı Kredi Leasing's role as one of the founders of Turkey's now buoyant leasing industry. The judges also commend the company on its proactive support on renewable energy. The panel is happy to confer on Yapı Kredi Leasing the 2017 Best Energy Savings Finance Turkey Award.

SpiceJet: BEST CORPORATE GOVERNANCE INDIA 2017

The comeback kid of the airline industry, India's SpiceJet soars high with eight consecutive profitable quarters and solid credibility with partners and the traveling public alike.

India's fourth largest airline with a 13% market share, SpiceJet traces its corporate origins to an air taxi service established in 1984. Since that time, SpiceJet in its different iterations has established a formidable reputation as a prize fighter. The company manages to obtain a 93% load factor with only one in a thousand flights suffering a cancellation.

SpiceJet was an early adaptor of the online marketing model, using multiple channels to reach travellers. The airline has implemented a regional connectivity scheme and works with governments to improve the country's airport infrastructure. Though India boasts around 400 airports, only 75 are in regular use. The airline is poised for rapid expansion after it signed a megadeal with Boeing for up to two hundred 737 MAX 8 aircraft.

With a buoyant economy offering plenty room for growth, SpiceJet expects to reach around thirty million travellers about to enter the jet age. To ensure optimum performance and maximise exposure to the industry's upside, SpiceJet has implemented a corporate governance framework modelled on global best practices.

The CFI.co judging panel agrees that SpiceJet is uniquely positioned for maximum exposure to the upside of India's airline industry. In recognition of the company's achievements, the judges are pleased to offer SpiceJet the 2017 Best Corporate Governance India Award.

> ARCA FONDI SGR: BEST EMERGING MARKETS DEBT MANAGER EUROPE 2016

With more than €30bn in assets under management, ARCA Fondi SGR is one of Italy's leading independent asset management companies. The firm boasts one of the country's largest distribution networks with a nationwide footprint. ARCA Fondi SGR is considered one of the most-recognised brands in the industry which results in exceptionally high client retention rates, allowing the firm to build long-term relationships.

The company maintains strong ties with customers both via its experienced relationship managers and its large branch network which assures close proximity to clients. With an innovative and comprehensive product range and the introduction of multi-manager solutions, ARCA Fondi SGR has succeeded in satisfying the changing needs of Italian investors, developing its business in numerous distinct market segments.

ARCA Fondi SGR was one of the first to adopt the protocols drawn up by the Italian association of asset managers with a view to implement a sound and adequate framework to manage potential conflicts of interest and thus protect investors.

ARCA Fondi SGR aims to create added value for its customers and manages style-neutral portfolios in order to consistently deliver good long-term performance which is continuously benchmarked to ensure optimum performance.

The CFI.co judging panel is pleased to note that ARCA Fondi SGR, a winner in 2015, has maintained its dedication to operational excellence and its pursuit of stellar performance. The judges are happy to reaffirm their earlier decision and declare ARCA Fondi SGR winner of the 2016 Best Emerging Markets Debt Manager Europe Award.

> PAN AMERICAN ENERGY: MOST RESPONSIBLE ENERGY CORPORATE BOND ISSUER LATIN AMERICA 2016

A veritable treasure chamber of natural resources, Argentina has embarked on a sustained drive to cash in on its mineral bounty. The country's now revamped extractive sector is on the up and delivering a sizeable contribution to economic growth. Pan American Energy, an oil and gas company founded in 1997, is particularly well-poised to reap the benefits of Argentina's once again flourishing economy. Currently, the company is the second largest hydrocarbons producer in the country with a presence in Argentina's four main oil and gas basins and a direct and indirect workforce of well over 12,000 people.

Pan American Energy pumps 18% of the oil and gas produced in Argentina. Partnering with international oil companies, Pan American Energy has gained access to the latest technology which allows the company to sustain higher-than-average recovery rates and successfully exploit fields that had previously been deemed marginal. Pan American Energy is recognised for its dedication to operational excellence. The company adheres to international best practices and maintains a clean environmental record.

In order to help finance its expansion, Pan American Energy has issued $1.1bn in corporate bonds in a series of tranches since 2010. The CFI.co judging panel is aware that Argentina's energy sector has plenty of upside. The judges agree that Pan American Energy stands to benefit from the country's return to high growth rates. Pan American Energy is declared winner of the 2016 Most Responsible Energy Corporate Bond Issuer Latin America Award.

> DEUTSCHE BANK: BEST BANK TREASURY MANAGEMENT TEAM EUROPE 2017

Buoyed by strong support from institutional investors, Deutsche Bank is now ready to strengthen its investment bank and bolster its retail business in Germany. Deutsche Bank also aims to expand its presence in North America.

One of the largest foreign exchange dealers in the world with a market share estimated to hover around 20%, Deutsche Bank is a globe-spanning financial services provider with a footprint covering more than seventy countries. As such, the Treasury Department of Deutsche Bank faces a number of significant challenges for building capital and ensuring liquidity across a bewildering array of currencies. Add to that the need to comply with legislation in multiple jurisdictions, and the magnitude of the task may be appreciated.

Yet, Deutsche Bank has deftly managed to leverage its expertise in treasury operations to fortify its position in the wake of the financial crisis which hit the bank particularly hard. Deutsche Bank was able to reclaim the strong capital position which underpinned its reputation for well over a century. The bank has also recognised that prioritising its domestic position – pursuing synergies with Deutsche Postbank it acquired in 2010 – is an essential first step towards international expansion since such an approach solidifies Deutsche Bank's foundations.

The CFI.co judging panel commends Deutsche Bank on its resilience and determination to extract the most from its technical expertise in treasury management. The judges are pleased to offer Deutsche Bank the 2017 Best Bank Treasury Management Team Europe Award.

> AmsterdamGold Group: BEST PRECIOUS METALS INVESTMENT ADVISORY TEAM EUROPE 2017

It cannot be printed and does not depend on blockchains, algorithms, or other new-fangled processes: precious metals are the perennial fool- and fail-proof investment vehicle for those who seek long-term certainties in a world increasingly beset by risk. Gold and silver, either in bullion or coins, are tangible assets that may fluctuate momentarily in price but always represent concrete value.

AmsterdamGold Group is counted amongst the world's largest precious metals trading houses. Founded in 2008, just before the global banking crisis erupted, the company quickly became a safe haven for investors spooked by the fragility of the monetary system. Fully regulated and authorised by the Dutch Financial Market Regulator AFM, AmsterdamGold expanded into a group of four companies that together offer a full suite of services.

AmsterdamSafe operates a fully-secured VAT-free storage facility at Schiphol Airport, guarded by the Royal Constabulary. AmsterdamGold also buys, sells, and transports precious metals. The company's management is comprised of professionals and captains of industry with extensive business experience accumulated at the country's largest multinational corporations.

Already the largest full-service precious metals trading and clearing house in the Benelux, AmsterdamGold is now poised for rapid expansion in Europe and beyond.

The CFI.co judging panel commends the company on its holistic and baseline driven approach to precious metals trading, offering ready solutions to investors of all sizes. The judges are pleased to declare AmsterdamGold winner of the 2017 Best Precious Metals Investment Advisory Team Europe Award.

SeABank: BEST SME BANK VIETNAM 2017 & BEST RETAIL BANK VIETNAM 2017

Recognised as one of the top brands in Vietnam, SeABank operates a countrywide network of some 160 branch offices and transaction points. As such, SeABank is one of Vietnam's leading commercial banks, building on 23 years of experience in retail and corporate banking. The bank is known for its prudent management style, preferring to nurture organic growth and keeping close to its expanding client base.

SeABank has been particularly successful in underwriting Vietnam's famously dynamic SME sector. Small and medium-sized enterprises form the economic backbone of the country and, indeed, drive its rapid development. SMEs represent fully 97% of all business in the country and employ around 77% of the workforce. The sector is thriving as well: according the government data, owners of small and medium-sized businesses saw their profits increase by around 20% annually, on average, over the past ten or so years.

From its foundation in 1994, SeABank has helped underwrite Vietnam's SMEs with a comprehensive suite of products and services geared towards providing the means to attain sustainable growth. The bank aims to excel as the country's premier multifunctional financial services provider and, as such, contribute to the socio-economic development of Vietnam.

aA previous winner, SeABank is no stranger to the CFI.co judging panel. The judges agree that the bank has managed to keep its prominent position in the market and, indeed, outpace the competition. The judges are pleased to offer SeABank the 2017 Best SME Bank Vietnam and Best Retail Bank Vietnam 2017 Awards.

NATAL JOINT MUNICIPAL PENSION FUND: BEST PRACTICE PENSION FUNDS SOUTH AFRICA 2017 BEST PENSION FUND STAKEHOLDER BENEFITS SOUTH AFRICA 2017 BEST CORPORATE GOVERNANCE PENSION FUNDS SOUTH AFRICA 2017

Founded well over seventy years ago, and recognised as a pioneer in the non-banking financial services industry, the Natal Joint Municipal Pension Fund (NJMPF) has built not only a strong brand but a peerless reputation for excellence in governance and dependability. Always a forerunner, the NJMPF leverages the power of state-of-the-art technology to offer its members a full suite of retirement services.

The fund, a previous CFI.co award winner, has sustained its already considerable momentum with the launch of its revamped website which allows both members and pensioners improved ease of access and helps the NJMPF add to the transparency of its corporate governance. The fund also opened additional communication channels in order to keep close to all stakeholders. Simultaneously, the NJMPF debuted a cross-platform mobile app that allows members to keep abreast of developments and access information on the fund's performance and their benefits.

The fund also stepped up its efforts to trace beneficiaries of unclaimed pay-outs. The NJMPF has a long-standing policy of tracing beneficiaries and has managed to keep its stock of unclaimed benefits to a minimum. A testament to its stellar performance, the fund has consistently managed to provide benefits that significantly outpace inflation – offering pensioners peace of mind.

In an unusual move, the CFI.co judging panel has decided to offer the Natal Joint Municipal Pension Fund a triple award in recognition of the fund's benchmark-setting performance: 2017 Best Practice Pension Funds South Africa Award; 2017 Best Pension Fund Stakeholder Benefits South Africa Award; 2017 Best Corporate Governance Pension Funds South Africa Award.

> NOVUS GROUP INTERNATIONAL: MOST INNOVATIVE MARKET RESEARCH TEAM EUROPE 2017

Know-your-customer and know-your-market are essential to any business aiming for lasting success. The task is, however, easier said than done – let alone accomplished. Providing focused knowledge – instead of just data – Novus Group International helps businesses rediscover their raison d'être – essentially, returning to the source and plugging into markets that may have changed.

Whilst the concept is disarmingly simple, the Swedish company found that few businesses are actually taking the obvious route to improved performance and oftentimes fail to grasp the importance, and the power, of new media – or miss the point. Digitalisation may have moved the goalposts, Novus Group sees this development as a move towards the individualisation of the marketplace – requiring businesses to respond with bespoke offerings to serve a customer universe divided into smaller niches.

Much more than a traditional market research company, Novus Group takes a holistic approach to market research that includes paths towards thought leadership and confidence building. Businesses are encouraged to accept challenges to their dominance or presence as a way to ensure sustainability. Eschewing the bandwagon mentality, Novus Group questions, probes, and evaluates new technologies in order to determine their suitability and use.

Since its foundation, just ten years ago, Novus Group has become one of Sweden's leading market researchers and the go-to place for mission-critical assignments. The CFI.co judging panel finds Novus group's highly innovative approach most refreshing and declares the company winner of the 2017 Most Innovative Market Research Team Europe Award.

> AFRICAN RISK CAPACITY: MOST INNOVATIVE ESG RISK PROTECTION PROVIDER AFRICA 2017

African Risk Capacity (ARC), a specialised agency set up by the African Union, deploys high-tech to increase the continent's food security by creating comprehensive climate response systems and procedures that pool and transfer risk, thus allowing member states to protect vulnerable populations and offer effective help to those harmed by natural disasters.

ARC also assists member states plan for emergencies and put the resources in place that enable a swift and targeted response to extreme weather events. The entity attaches great importance to transparency, governance, and efficiency. It uses Africa RiskView, an advanced satellite-based weather surveillance system, and software developed by the UN World Food Programme to continuously monitor continent-wide risk.

ARC is structured to provide a fast response to any emergency in order to reduce the loss of both lives and assets. By adding a risk pooling and transfer layer to traditional disaster relief mechanisms, the agency has been able to reduce the punitive costs usually associated with humanitarian assistance programmes. ARC also helps the continent reduce its reliance on outside help which is often funded on an ad hoc basis. By offering member states a permanent yet pliable structure that can absorb shocks and manage risk, ARC aims to strengthen the resilience of governments in the face of adversity.

The CFI.co judging panel is pleased to note ARC's continued progress. A repeat winner, African Risk Capacity is offered the 2017 Most Innovative ESG Risk Protection Provider Africa Award.

TELETRADE: BEST FOREX BROKER EUROPE 2017

Forex trading comes in many different online flavours; however, only a select few brokers sustain a brick and mortar network of offices where investors may obtain in-person support and service. TeleTrade boasts a branch network to host workshops and seminars that offer valuable insights to both novice and seasoned investors. The firm maintains over 200 offices in thirty countries.

As an on-the-ground-broker, TeleTrade distinguishes – and distances – itself from the pack, customising its palette of products and services to dovetail with local needs and requirements. Uniquely, its business model depends largely on word-of-mouth advertising, proximity to clients, and the company growth through referrals. TeleTrade aims to unlock access to a global universe of forex trading from its local presence.

Whilst most of the trading is conducted via its online trading platform, fully adjustable to the client's level of expertise and trading savvy, TeleTrade's local offices are happy to share tips and techniques during person-to-person meet-ups with investors.

A hallmark of quality, TeleTrade is one of the only forex dealers fully licensed by the Bank of Russia to operate on the country's retail market. The company compiles and publishes regular market updates in a number of languages to alert investors to upcoming opportunities. In addition to forex trading, the firm's platform also offers trades in CFDs (contract for difference) on stocks, commodities, and futures, and EFTs (exchange traded funds).

The CFI.co judging panel is pleased to present TeleTrade with the 2017 Best Forex Broker Europe Award.

AFGHAN INTERNATIONAL BANK: BEST CORPORATE GOVERNANCE AFGHANISTAN 2017

A reliable, efficient, and trusted partner to multilateral entities, businesses, and private individuals, Afghan International Bank (AIB) has gained a solid reputation for operational excellence. The bank adheres to international best practices which permeate throughout the organisation and provide the backdrop to, and framework for, AIB's sustained success.

The bank has implemented best-in-class standards to fight money laundering and put in place comprehensive measures and processes that ensure full compliance with both domestic and global financial regulation. The full force of the board is applied to monitor and evaluate performance quarterly. The board is backed up by a risk committee which gauges the quality of operations on a day-to-day basis.

In 2017, AIB expects to continue its drive to fine tune the organisation and upgrade the professional qualifications of staff members in order to create a local pool of expertise that, in time, may take over duties from expatriate professionals. A number of local professionals have already assumed leadership positions and are actively engaged in setting up new organisational structures that will support AIB's dedication to excellence and customer service.

AIB is no stranger to the CFI.co judging panel. The judges have closely followed the bank's progress since 2013 and handed AIB three awards previously. This year, the judging panel again agrees that the sustained effort of the bank to excel in corporate governance merits recognition. The judges are pleased to offer Afghan International Bank the 2017 Best Corporate Governance Afghanistan Award.

> UNITED WATERS INTERNATIONAL: MOST INNOVATIVE WATER PURIFICATION TECHNOLOGY GLOBAL 2017

The world is thirsty. Demand for drinking water has risen six-fold over the last half century and is expected to triple over the next fifty years. Yet only about 1.3% of the world's water resources is available for human consumption. Water purification has become a high-growth industry, expanding globally at a ten to fifteen percent annual clip. The price of potable water, a finite resource, is set to rise in tandem.

United Waters International (UWI) of Switzerland has developed and introduced a revolutionary biological water purification system that uses no harmful chemicals and produces no residues whilst offering remarkable cost-savings. BioEcoTech also requires up to 80% less energy to produce a sustainable and reliable supply of clean water.

Founded in 2005 and to provide high-tech water purification solutions, UWI brings together strong industrialists, experienced managers, and leading scientists in a collective effort to force technological breakthroughs. Using a partnership model, UWI works in close collaboration with municipalities, NGOs, and other entities to ensure a broad social impact of its technology. The company is already active in Indian and China, and now mulls expansion into Africa and the Americas.

The CFI.co judging panel commend UWI for its hands-on approach to providing water purification solution that are easy to implement and scale at an affordable price and with a minimal environmental footprint. The judges are pleased to name United Water International winner of the 2017 Most Innovative Water Purification Technology Global Award.

> TRACOM SERVICES: BEST ENTERPRISE PAYMENT SOLUTIONS EAST AFRICA 2017

Kenya has long been recognised as a pioneer and leader in the development of payment solutions for the financial services industry. Tracom Services, an IT solutions provider based in Nairobi, pushes the envelope with payment systems that significantly increase inclusivity, security, ease-of-use, and access. The company, home to some of the country's brightest IT professionals, promises – and consistently delivers – innovative solutions by leveraging the power of tomorrow's technology.

Tracom Services has regional representation in Kenya, Tanzania, Uganda, Rwanda, Burundi, Ethiopia, Sudan, South Sudan, and provides private businesses and government entities along the East African seaboard with best-in-class solutions that help streamline processes and reduce overheads. Tracom Services' payment solutions include a full range of statutory compliance and reporting features that helps clients increase productivity.

The company has established a number of partnerships with technology providers around the world such as Ingenico, Diebold, Cardag, Futurex, Safran, Evolis, Softpro, amongst others, in order to benefit from synergies not otherwise available. Tracom Services managed to attract highly qualified local IT professionals who liaise directly with clients in order to produce bespoke solutions that dovetail precisely with their diverse needs and requirements.

Recognising that the design and implementation of highly complex IT solutions is a collective endeavour, Tracom Services follows an open-door policy that encourages client participation at all levels of the production process. This, and the company's know-your-client approach, ensure a high level of customer satisfaction.

The CFI.co judging panel notes that Tracom Services is focused on its client's success. The judges declare the company winner of the 2017 Best Enterprise Payment Solutions East Africa Award.

> CATALYST PARTNERS: BEST SME GROWTH INVESTMENT PARTNER MENA 2017

The clue is in the name: Catalyst Partners aims to up the ante, spur development, and encourage entrepreneurial success. Dedicated to empowering medium-sized and family-owned businesses, Catalyst Partners offers a path to success, leveraging its management knowhow and facilitating access to capital markets as well as debt.

Catalyst Partners was founded by its Managing Partner Aly El Tahry, who also co-founded leading MENA-based investment banking firms Hermes Financial and Beltone Financial. The Egypt-based investment company is present in a particularly deep and wide universe: fully 99% of the country's businesses fall into the small and medium-sized enterprises (SME) category. Thanks to its knowledge of local circumstances and its extensive experience with Egyptian companies, Catalyst Partners selects – and takes a stake in – well-established medium-sized and family businesses which show the most promise in terms of innovation and scalability. The firm then applies its well-proven management techniques to foster accelerated growth and move its corporate charges from niche to mainstream.

In order to achieve its goals, Catalyst Partners follows an integrated approach by offering support during critical business development stages, building capacity, and adhering to a set of clear objectives. Through its in-house teams, the firm provides its incubated partners access to services which are not typically readily available to smaller businesses, including (but not limited to) enterprise development, planning, corporate governance, financial controls and due diligence.

Catalyst Partners also enables the targeted companies to satisfy their capital needs through its expertise in financial transactions. Offering businesses the opportunity to reach their full potential, Catalyst Partners fosters optimized results for all stakeholders.

The CFI.co judging panel recognises the value of the company's approach to helping businesses succeed in a dynamic market. The judges are pleased to offer Catalyst Partners the 2017 Best SME Growth Investment Partner MENA Award.

> GRUPO PANAMERICAN: BEST DIVERSIFIED GROUP LEADERSHIP BOLIVIA 2016

Operating in fourteen markets across Latin America and the Caribbean, Grupo Panamerican boasts no less than twenty years' experience in the region, managing investments, developing software for the fin-tech industry, and helping promote renewable energy. The group comprises five specialised companies. In addition to fund and asset management firms, Grupo Panamerican also maintains a fully-licensed stock exchange brokerage, a software design studio, and a clean energy provider with hydroelectric plants, water rights, and concessions in Bolivia, Chile, and Peru.

From its home market Bolivia, the group has expanded rapidly into neighbouring countries. The company also opened offices in Peru and Nicaragua. As investment advisors, Panamerican Securities was instrumental in forging large cross-border deals, facilitating mergers and acquisitions, and major initial public offerings on the Bolivian stock exchange. The company has earned a well-established reputation as the country's premier merchant bank for high-net-worth individuals, corporates, and institutional investors. Its wealth management division boasts a solid track record of protecting and growing clients' assets regardless of market conditions.

Aluz Clean Energy, a wholly-owned subsidiary of the group, is focused on the design, construction, and operation of hydroelectric power plants. Since 2007, the company has developed no less than seven projects with a combined power output of 116MW.

The CFI.co judging panel congratulates Grupo Panamerican on its multiple endeavours and notes that the company enjoys wide recognition for its excellence in corporate governance. The judges are pleased to offer Grupo Panamerican the 2016 Best Diversified Group Leadership Bolivia Award.

> GTBank (Ghana): BEST DIGITAL BANKING GHANA 2017

With a state-of-the-art and full-service online banking portal, and multiple alternative service access channels, Guaranty Trust Bank (Ghana) has established a well-earned reputation as an e-banking pioneer. The parent company, GTBank Plc, a publicly-traded company listed on the London Stock Exchange and the Deutsche Börse, maintains a Pan-African network of subsidiaries. The bank's geographical footprint extends to the UK via its London branch which received its full banking licence in 2008.

The Nigeria-based banking group – one of the largest in Sub-Saharan Africa – was amongst the first to offer a full palette of services delivered via the Internet and mobile devices. The bank recently expanded its operations to include the buoyant economies of East Africa with the acquisition of a controlling stake in Fina Bank – since rebranded – with offices in Kenya, Rwanda, and Uganda.

One of its flagship subsidiaries, GTBank (Ghana) has pushed the envelope, and set the pace, in providing excellence in customer service. The bank aims to maintain the closest possible proximity to its clients and, to this end, instituted an open-door policy that offers clients a multitude of ways to keep in touch with the bank's agents and account executives.

The CFI.co judging panel notes that GTBank (Ghana) has carefully crafted its brand image to convey openness, inclusiveness, and a can-do spirit that is unique in the industry. The judges wholeheartedly agree that GTBank (Ghana) amply deserves recognition as winner of the 2017 Best Digital Bank Ghana Award.

> SEVERSTAL: BEST VERTICALLY-INTEGRATED STEEL COMPANY RUSSIA 2017

Working the massive iron ore deposits of the Kola Peninsula in the sparsely-populated northwest corner of Russia, Severstal traces its origins as a major steelmaker to 1940 and the onset of the Great Patriotic War. The company is now the country's largest steelmaker. Privatised and rebranded in 1993, Severstal has expanded overseas with mines and processing facilities in Kazakhstan, France, Italy, the Ukraine, and a number of African countries. In Italy, the company acquired Gruppo Lucchini renowned for its premier long and specialised carbon steel products.

The company is traded on the Moscow Exchange, where it forms a constituent part and bellwether of the MICEX Index, with cross-listings in London and Frankfurt. Severstal is recognised for its holistic approach to steelmaking. The company successfully integrated the full scope of its operations from mining and ore processing to a comprehensive suite of finished steel products such as pipes and heavy load-bearing rebar for large construction projects.

Severstal developed a new generation of mini-mills to manufacture long products for civil engineering projects. The company's steel has built Moscow's skyline and numerous other landmarks such as the graceful fittings of the Western Rapid Diameter Motorway circling St Petersburg.

The CFI.co judging panel applauds Severstal's dedication to vertically-integrated industrial operations. By securing its own supply of raw material the company is no longer subjected to the vagaries of global market for its inputs. The judges declare Severstal winner of the 2017 Best Vertically-Integrated Steel Company Russia Award.

XPRESS MONEY SERVICES: BEST REMITTANCE SERVICES GLOBAL 2016

The concept is deceptively simple: allow anyone to send money home from wherever they happen to be in the world – and to do so in a secure, affordable, accessible, and efficient way. Xpress Money Services made that happen: the company now maintains a globe-spanning network comprised of more than 180,000 agent locations in over 160 countries where clients can dispatch and receive remittances.

Partnering with renowned international money transfer operators (IMTOs), banking as well as non-banking institutions, telcos, and online remittance players, Xpress Money Services has built up a vast, and still growing, network that prioritises client proximity and efficiency. The company aims to have a presence in all the world's countries before long. In the seventeen years since its founding, Xpress Money Services has redefined the remittance industry with innovative solutions that meet customer needs and expectations, and drive down costs.

Focussed on the tens of millions of expats who work away from home, Xpress Money Services has gained a deep understanding of the market and offers unmatched dependability and customer care. The company also leverages the full power of mobile technology to keep its leading edge. Customers in UK may access services via an app, in person at physical locations, and will also soon be able to transact online as well. The company introduced XOPOTO, the world's first social international money transfer app early last year.

The CFI.co judging panel agrees that Xpress Money Services pushes the envelope and has now become the trendsetter of the remittances industry. The judges feel no hesitation in granting Xpress Money Services the 2016 Best Remittances Services Global Award.

NEW WORLD DEVELOPMENT CO: BEST INVESTOR RELATIONS TEAM HONG KONG 2017

A journey, no matter how long, starts with the first step. Though that assertion may be far from original or novel; its truth remains unaltered and applies to most endeavours, including investing. In order to deliver sustainable returns, a measure of philosophy applied to the investment process yields results that often exceed expectations.

As such, New World Development Co (NWD), a Hong Kong company focused on cross-sector property development, is recognised as a purveyor of uncompromised quality. The group, listed since 1972 on the Hong Kong Stock Exchange and a constituent component of the Hang Seng Index, maintains sizeable stakes in the infrastructure and services, retail, hospitality, and serviced apartment segments. The company prioritises the maintenance of clear, wide, and open communication channels with the investment community in order to deliver a constant flow of timely and accurate information and data.

Seeking to strike the right balance, that exquisite and flexible space between originality and reality, New World Development Co incorporates new ideas and technologies into its strategy in order to deliver optimum results to all stakeholders. The company is part of The Artisanal Movement that strives to surpass the mundane world of design and aesthetics to explore, uninhibited, the vast realm of imagination – blending timeless craftsmanship with the spirit of innovation in the pursuit of excellence.

The CFI.co judging panel is convinced that the unique approach implemented by NWD ensures the delivery of superior results to investors. The judges are pleased to offer New World Development Co the 2017 Best Investor Relations Team Hong Kong Award.

> MAYBANK BRUNEI: BEST SME BANK BRUNEI 2017

With a NPL (non-performing loan) ratio that is the envy of the industry, Maybank Brunei maintains a robust credit remedial management team that ensures operational excellence whilst minimising risk. The bank has gained a solid reputation for its premier customer service and fast processing of credit applications. As a result, Maybank Brunei time and again scores high on customer satisfaction surveys. The bank also boasts an exceptionally high client retention rate.

The only fully localised bank in the country, Maybank Brunei is proud of its unequalled access to the domestic market. The bank is fully integrated with the Brunei business community and maintains a vast network of contacts that keep the bank abreast of developments and allow it to help small and medium-sized enterprises (SMEs) grow and prosper. In fact, whilst its competitors retreated from this segment, Maybank Brunei saw its SME business grow by over 20% over the past twelve months. Today, the bank is considered the go-to financial services provider for businesses of all sizes in Brunei.

Part of one of the largest banking groups in Southeast Asia, Maybank Brunei offers SMEs seamless access to a comprehensive palette of cross-border services. As such, Maybank Brunei is considered a significant driver of entrepreneurial development. The bank, in its turn, recognises the need to support SMEs – a key economic sector – by removing impediments to their sustained growth.

The CFI.co judging panel is pleased to offer Maybank Brunei, a repeat winner, the 2017 Best SME Bank Brunei Award.

> KHARTOUM STOCK EXCHANGE (KSE): BEST SUSTAINABLE SECURITIES EXCHANGE NORTH AFRICA 2017

سـوق الخـرطوم للأوراق المـالـيـة
KHARTOUM STOCK EXCHANGE

Set up in 1994 with technical assistance from the International Finance Corporation (IFC – a member of the World Bank group), the Khartoum Stock Exchange (KSE) boasts 53 listed companies with a combined market value in excess of $5bn. Since 2007, the exchange is a full member of the African Market Union and features a secondary market alongside its main board. The KSE is the principal venue for the launch and trade of Sharia-compliant products such as sukuk (bonds) and musharaka certificates issued by the government of Sudan.

With a growing number of regional cross listings and cooperation protocols with sister exchanges in place, the KSE has solidified its position as a major trade hub. In 2011, the KSE joined the Association of Arab Stock Exchanges, paving the way for a growth in intraregional trade. That same year, the KSE embarked on a major expansion project to include electronic trading. Transaction volumes have increased steadily since.

With regular IPOs, the Khartoum Stock Exchange has enabled local businesses to raise capital and thus benefit from the economic upswing currently underway.

The CFI.co judging panel recognises the importance of the KSE as an engine of economic development not only for Sudan but also for the wider region. The KSE has put into place the technical and regulatory infrastructure needed to sustain its already impressive growth. The judges are pleased to offer the Khartoum Stock Exchange the 2017 Best Sustainable Securities Exchange North Africa Award.

> BANK ABC (JORDAN): BEST INTERNATIONAL COMMERCIAL BANK JORDAN 2017

Bank ABC in Jordan is a subsidiary of the pan-Arab leading banking Group Arab Banking Corporation which is headquartered in Bahrain and has a network of offices across eighteen countries in five continents.

Bank ABC Jordan offers a complete range of financial services that include retail and commercial banking, as well as treasury. It also offers investment services and brokerage in securities – both locally and internationally – and financial consultancy through its affiliate company ABC Investments (ABCI). The bank has a network of 27 branches and 53 ATMs across the Kingdom of Jordan.

Leveraging the power of cutting-edge technology and superb customer service, Bank ABC Jordan has gained recognition for its operational efficiency and agility, and it focuses on enhancing the customer experience by offering innovative electronic services. Its most recent initiative is the move from its current online banking platform to its new ABC Digital Banking programme – a state-of-the-art platform that is faster, easier, and more secure and offers a seamless and comprehensive banking experience.

Bank ABC Jordan has been a pioneer in establishing procedural frameworks that combine operational excellence, good corporate governance, and regulatory compliance. Thus, the bank offers clients a convenient gateway to world markets and, as such, empowers business and individual clients alike through its wide international network of offices and experienced customer relations teams.

The judges are pleased to offer Bank ABC Jordan the 2017 Best International Commercial Bank Jordan Award.

> COSTA RICAN INVESTMENT & DEVELOPMENT BOARD (CINDE): BEST INTERNATIONAL HIGH-TECH INVESTMENT PROMOTION TEAM LATIN AMERICA 2016

Costa Rica is one of those countries that seldom grab the global headlines. This is, however, a good thing. A stable democracy for over 120 years, with unmatched economic stability in the region, Costa Rica is making waves in a different way: the country is home to a growing number of international corporations that have found a business-friendly haven and an environment that rewards innovation. Costa Rica is fast on its way to become a hub of high-tech manufacturing and research.

The Costa Rican Investment Promotion Agency (CINDE) helps businesses considering a move to the country navigate its streamlined regulatory environment. The agency assists businesses plug into local society which is characterised, amongst others, by the excellence of the education system that, according to data compiled by the World Economic Forum delivers results superior to those obtained in countries such as the US, India, Brazil, and China. Costa Rica has established a close working relationship between industry and academia which helps match curriculums to the needs of employers.

CINDE has accumulated a wealth of up-to-date data that enables investors to maximise exposure to the benefits Costa Rica can deliver. The country also maintains a free trade zone regime that offers incentives to corporate newcomers. The CFI.co judging panel commends Costa Rica on its hands-on approach and is pleased to declare CINDE winner of the 2016 Best International High-Tech Investment Promotion Team Latin America Award.

SWARNA PRAGATI: BEST SOCIAL IMPACT HOME FINANCE INDIA 2017

SWARNA PRAGATI HOUSING

Prosperity begins at home. A house, however modest, represents the first step towards the eradication of poverty and allows families access to better health, education, and livelihoods. Owning a home also brings formerly marginalised people into the mainstream: they can now hook up to safe supplies of water and electricity, receive mail, store their belongings, and start a business.

Around 65 million people in India – some estimates put the number much higher – urgently require an affordable home. Whilst the market is huge, most builders prefer to cater to well-heeled and urban buyers. However, Swarna Pragati offers low-doc home loans to people of modest means. The company does not always require title deeds to back up its loans and instead leverages the not inconsiderable power of grassroots institutions to provide for community-based solutions.

Swarna Pragati has brought hitherto unavailable access to low income rural families to acquire a permanent house by accepting informal types of collateral. The company has thus removed one of the largest stumbling blocks to home ownership in villages: India's often arcane legal requirements which impose a heavy bureaucratic burden on all involved with real estate transactions. Swarna Pragati developed and implemented a fast-track way to provide credit to prospective home buyers that simplifies the process. Moreover, the company provides incremental loans that allow clients to gradually expand their property through a modular multi-loan cycle approach.

The CFI.co judging panel notes that Swarna Pragati empowers it clients by offering microloans via self-help groups and through innovative door step lending process. The judges commend the company on its highly innovative approach and declare Swarna Pragati winner of the 2017 Best Social Impact Home Finance India Award.

MONEYMAILME: BEST SOCIAL PAYMENTS APP UNITED KINGDOM 2017

Moneymailme

Adding yet another convenient shortcut to money transfer, Moneymailme allows users to send funds while chatting with friends on their smartphone. The Moneymailme app pioneers the novel concept of social money – micro payments to friends, relatives, colleagues, or others to repay favours, contribute towards gifts, or offer help in an emergency. Charities can employ Moneymailme to raise funds for initiatives and campaigns. The app can also be used to pay for goods and services at e-shops.

Social money is the latest dimension to further enrich the social media environment. The Moneymailme is a fully-featured chatting app with video calls and file sharing. Money transfers are processed in real-time via a secure and regulated network of e-wallets. Both conversations and transactions are encrypted, using advanced protocols that ensure data are protected against privacy breaches. Whilst transfers are free, the topping-up of users' accounts incurs a small charge.

Moneymailme has partnered with Mangopay, a payment technology provider, and maintains a custodian account at Barclays Bank to facilitate secure transactions. Moneymailme is available in more than 130 countries. Users can send and receive small remittances in euros, pounds, US dollars, SA rands, Swiss francs, and Polish zlotys. The company is currently considering adding crypto money such as bitcoin to its currency mix.

The CFI.co judging panel applauds Moneymailme's innovative approach to social money and money transfers. The judges are pleased to declare Moneymailme winner of the 2017 Best Social Payments App United Kingdom Award.

> FONDO DE FONDOS: BEST PRIVATE EQUITY FUND-OF-FUNDS ASSET MANAGER MEXICO 2017

Unlocking the rather awesome power of private equity, Mexico's Fondo de Fondos (Fund of Funds) combines a joint total of 250 years' worth of local and global experience with big data to offer investors access to some of the best corporate opportunities in the country. Fondo de Fondos traces its origins back to 1996 and today bundles the market savvy of four of Mexico's premier private equity funds.

Fondo de Fondos aims to further the private equity industry in Mexico and has implemented a comprehensive strategic plan to manage third-party resources using international best practices and recruiting renowned experts to strengthen its already formidable team. Fondo de Fondos has also created a proprietary industry database that provides an updated stream of corporate information.

Presently, Fondo de Fondos manages in excess of $900m in commitments, including funds of institutional investors who have come to depend on the expertise of the firm's team to access prime opportunities. Uniquely, Fund of Funds decision-making process is steered by a board of advisors which includes up to 50% independent members. Fund of Funds also owes its continued success to strict risk mitigation procedures and a code of ethics that has become a benchmark in the industry.

The CFI.co judging panel commends the firm on its cautious yet dynamic approach to private equity. The judges agree to name Fund of Funds winner of the 2017 Best Private Equity Fund-of-Funds Asset Manager Mexico Award.

> AMPLUS ENERGY SOLUTIONS: BEST GREEN ENERGY INDUSTRIAL SOLUTIONS PROVIDER INDIA 2017

Thanks to its impressive end-to-end in-house capabilities, Amplus Energy Solutions has moved to the top of India's burgeoning distributed solar power industry. The company adheres to a solar-power-as-a-service business model that shields clients from technological, financial, and commercial risk whilst delivering considerable savings.

Amplus Solar, a brand under Amplus Energy, is focused on the distributed solar sector, gaining a deep understanding of industry specific challenges and leveraging its domain expertise in managing the plants to maximise efficiency. Set up and run by renowned experts, Amplus Solar develops bespoke technical and commercial solutions using its own design, engineering, procurement, construction, monitoring, and maintenance processes. The company has gained recognition for its stalwart adherence to the highest standards of quality in both design and execution.

Known for its short turnaround times, Amplus Solar is able to move from capacity analysis to the delivery of a fully operational system within a matter of weeks. Projects are executed in close cooperation with the customer / end user in order to ensure optimum results.

Amplus Solar has built up one of the largest portfolios of distributed generation assets in India with a cumulative capacity in excess of 100,000KW – including projects currently under construction. Amplus is today catering to the energy needs of more than 65 big brands, in both the commercial and industrial sectors. The company has also applied for an interstate electricity trading licence in order to provide distributed solar power under the open access model.

The CFI.co judging panel commends Amplus Energy on its foresight and declares the company winner of the 2017 Best Green Energy Industrial Solutions Provider India Award.

> CLYDESDALE & YORKSHIRE BANK: BEST DIGITAL BANK UNITED KINGDOM 2017

With the ambition to change the face of the UK financial services industry, Clydesdale and Yorkshire Bank sets its corporate sight unapologetically high. A pioneer in electronic banking, Clydesdale and Yorkshire Bank was one of the first to recognise the importance of mobile technology as a tool to shorten the lines between the institution and its clients – improving accessibility and adding levels of convenience in the process. What's more, Clydesdale and Yorkshire Bank's new and ambitious mobile app – B – offers a unique combination of digital capability with a more personal service when customers need it most.

At the leading edge of the digital eco system and embracing the latest technology, however, does not mean that Clydesdale and Yorkshire Bank has departed from timeless traditions such as community engagement and support. In fact, the bank has remained humble and eschews novelty for novelty's sake. Instead, at Clydesdale and Yorkshire Bank change is client-driven.

Clydesdale and Yorkshire Banks were established in the mid-nineteenth century and are now independently owned by CYBG PLC. The bank remains rooted in the communities it serves. The bank has underpinned local businesses for over 150 years and in the 1980s showed its solidarity with local communities by suspending loan repayments for miners during their long strike against pit closures. Such attitudes have earned Clydesdale and Yorkshire Bank the loyalty of its clients which reverberates to this day as evidenced by exceptionally high customer retention rates.

The CFI.co judging panel is pleasantly surprised to see a traditional bank holding on to its values whilst, simultaneously, embracing innovative and technology-driven solutions to changing client needs and requirements. The judges agree that Clydesdale and Yorkshire Bank is a most worthy winner of the 2017 Best Digital Bank United Kingdom Award.

> EUROHOLD: BEST M&A ADVISORY BOUTIQUE SPAIN 2017

Thanks to a business model that prioritises proximity to clients, Eurohold has become one of the largest providers of a full range of corporate financial services to global companies, private equity funds, and privately-held businesses. The firm, based in Barcelona, Spain, but with a global reach, has a particularly noteworthy track record in the mergers and acquisitions field, successfully structuring highly-complex deals such as the recent sale of Gigigo Group, a digital marketing pioneer, to Digital Dimension of France, a leading provider of transformative digital technology to business. Eurohold was on the buy side of the deal.

With offices and representatives spread across the globe, Eurohold is able to facilitate cross-border corporate transactions leveraging the firm's vast reservoir of local expertise. Eurohold's holistic approach means that its clients receive guidance, insights, and solid advice throughout the M&A process – taking guesswork out of the equation and mitigating risk. Fiercely independent and adhering to the highest ethical standards, Eurohold sticks to its core business of corporate finance to ensure the firm suffers no distractions or conflicts of interest. The firm is Spain's largest independent corporate financial advisor in the mid and small cap segments by number of deals.

Eurohold pursues long-term relationships with its clients, striving to become a true business partner with a thorough understanding of corporate needs, philosophy, and goals in order to ensure the services offered dovetail precisely with requirements.

The CFI.co judging panel notes that Eurohold had been in business for over a quarter century, growing steadily into a major force in the market. The judges are pleased to offer the company the 2017 Best M&A Advisory Boutique Spain Award.

> VALLSTEIN: BEST BANK RELATIONSHIP MANAGEMENT SOLUTIONS GLOBAL 2017

Getting value for money from banks is sometimes an uphill battle. Vallstein, however, helps corporates leverage their relationships with financial service providers in order to gain access to the best deals, service, and conditions. Looking beyond treasury management, Vallstein favours a holistic approach that aims to provide for a seamless match between corporates and their banks.

Vallstein derives pride from its independence: the firm does not work for, or act on behalf of, financial services providers. Focused on charting and meeting the clients' needs, Vallstein relentlessly pursues value for its corporate clients by facilitating understanding and streamlining workflows.

Launched in 2000, Vallstein counts on the expertise of a multinational team of seasoned professionals. The firm has developed a suite of bank relationship management software which allows users an instant overview of their banking costs, including indirect expenses such as margins on forex and credit operations. WalletSizing, a registered trademark, incorporates the latest updates to the Basel III global regulatory framework. The software also offers corporates insights into the return on solvency banks are earning on their business.

Armed with this data, corporates can better evaluate proposals put forward by banks and negotiate better conditions.

The CFI.co judging panel commends Vallstein on tapping into markets thus far underserved. The firm's products and services essentially pay for themselves many times over via the savings it offers users. The judges recognise Vallstein's value-proposition and declare the firm winner of the 2017 Best Bank Relationship Management Solutions Global Award.

> SENELEC: BEST ESG POWER PRODUCER WEST AFRICA 2016

Making work of promises made at the 2015 Paris Climate Conference, Senegal prepares to embrace solar power with two large-scale projects that are expected to significantly reduce carbon dioxide (CO_2) emissions whilst providing a boost to the country's generating capacity. Work at the construction sites is progressing at accelerated speeds with financing provided by a number of European development agencies. The solar power facilities will inject an additional 50MW into the country's grid.

Senelec, Senegal's publicly-owned power company, has moved to the forefront of the drive to green the country's energy supply and stands at the cusp of a large-scale expansion aimed at improving both service dependability and access. The company has signed a 25-year power purchase agreement with the solar power generators at a highly competitive price which ensures improved access to currents and future customers. Senelec has also managed to aggressively slash power outings.

Senelec currently generates in excess of 650MW and, as a public company, is committed to enhance power distribution throughout the country. Moreover, Senelec has adopted a programme that has furthered the professionalism of its personnel and labour conditions. As a result, the quality of services has also improved by leaps and bounds.

The company tripled its generating capacity over the last 25 years and has established strategic partnerships with privately-owned power generators which now supply about a quarter of its energy.

The CFI.co judging panel commends Senelec on its forward-looking approach and declares the company winner of the 2016 Best ESG Power Producer West Africa.

> CONCORD INTERNATIONAL INVESTMENTS GROUP: BEST ASSET MANAGER EGYPT 2017

At home in both Egypt and the United States, Concord International Investments Group maintains a strong team of professionals dedicated to finding exceptional opportunities in the fast-paced Egyptian corporate universe. With a seasoned in-house research team doing the legwork in Cairo and an experienced team of fixed income experts in New York, the group consistently manages to outperform its peers, straddling – as it does – both ends of the market.

The firm displays a stalwart dedication to the consistent delivery of premier investment products that meet the requirements of institutional and private investors alike. Concord International Investments Group maintains a thorough and disciplined, yet adaptive, investment process that ensures maximum exposure to upsides whilst minimising risk.

The firm offers a comprehensive mix of investment products, including private equity, mutual funds, and unrestricted portfolios of US fixed income and equities alongside Egyptian securities. In business since 1988 and with a stellar track record, Concord Group is one of the leading fund managers of Egyptian securities and helps individuals, family offices, foundations, and institutions manage their wealth.

The group also offers corporate finance advisory services and has successfully concluded assignments for leading banks and other corporates with a cross border presence.

The CFI.co judging panel is pleased to note that the company, a previous winner twice over, maintains its elevated performance profile. The judges wish to recognise this achievement and declare Concord International Investments Group winner of the 2017 Best Asset Manager Egypt Award.

> GHANA INTERNATIONAL BANK (GHIB): BEST AFRICA INTERNATIONAL TRADE FINANCE UNITED KINGDOM 2017

Offering African businesses a window to global markets – and a world of opportunity – Ghana International Bank (GHIB) supports and underpins trade flows and corporates pursuing cross-border deals. Established in 1959 as the London foothold of newly-independent Ghana, the bank now boasts representative offices that cover Sub-Saharan Africa from The Gambia to Kenya.

Whilst GHIB maintains a full suite of products and services, the bank historically gravitates towards facilitating international trade and business. GHIB was an early adopter of fintech and maintains a leading edge in order to significantly speed up the processing of trade document flows. The bank has long been recognised and used by the prestigious Ghana Cocoa Board which regulates this crucial economic sector and remains one of the largest sellers of cocoa in the world.

GHIB has over the past few years been a mandated lead arranger in the flagship African soft commodity syndication for Ghana Cocoa Board. It has, in addition, been the disbursement and collection agent for the past 22 years for this deal. The bank has established a spotless track record and reduced the transit and processing time of trade documents from two months to barely three days, streamlining and adding agility to a previously cumbersome set of procedures.

The CFI.co judging panel notes that large corporates with interests in Ghana have beaten a path to GHIB in recognition of the bank's forward-looking approach, personalised services, and dedication to operational excellence and speed. The judges are delighted to offer Ghana International Bank the 2017 Best Africa International Trade Finance United Kingdom Award.

> MOLINO CAÑUELAS: BEST ESG AGRIBUSINESS MANAGEMENT ARGENTINA 2017

Long considered the breadbasket of Latin America, if not the world, Argentina – now under new management – is once again poised to become a global leader in agribusiness. Ready to help push the nation forwards, Molino Cañuelas has embarked on an expansion project which aims to grow revenues by 20% annually over the coming years.

Molino Cañuelas, part of the Navilli family group of businesses, last year became Argentina's largest flour miller after the company managed to stave off the competition and take over the milling operations of Cargill in the country. With the acquisition, Molino Cañuelas now processes 24% of Argentina's wheat crop. The company is Argentina's largest flour exporter.

A strategic partner of the International Finance Corporation, part of the World Bank group, and with the support of Rabobank, Molino Cañuelas aims to expand operations not only in Argentina but also in neighbouring countries. The company already maintains a presence in Brazil and Uruguay and is developing plans to enter new markets along Latin America's Pacific seaboard, and in Africa.

The company, founded in 1930, owes its sustained success to a relentless drive to maximise both operational and administrative efficiencies. Molino Cañuelas is recognised as a pioneer in the implementation of sustainable business principles and for its early adoption of environmental, social, and governance (ESG) standards to mitigate risk and empower corporate growth. The CFI.co judging panel is pleased to offer Molino Cañuelas the 2017 Best ESG Agribusiness Management Argentina Award.

> PRODUBANCO: BEST BANK GOVERNANCE ECUADOR 2017

One of the largest banks in Ecuador, Banco de la Producción SA, Produbanco moved into its new corporate headquarters as it concluded a major rebranding exercise that emphasises the institution's excellence in customer service and dedication to innovative solutions.

Part of Ecuador's largest financial services provider Grupo Promerica, Produbanco maintains a well-established reputation for operational efficiency. Founded in 1978, the bank has a wide regional footprint via Grupo Promerica's presence in Costa Rica, El Salvador, Guatemala, Honduras, Cayman Islands, Nicaragua, Panama, the Dominican Republic and, through its subsidiary Terrabank, the United States.

Specialised in serving the corporate sector, Produbanco offers a full range of products and services that helps businesses reach their full potential. The bank constitutes a valuable reservoir of knowledge and experience in the Ecuadorian business sector and, as such, represents an essential resource for corporates, entrepreneurs, and investors.

Both a retail bank and commercial bank, Produbanco is recognised for its support of small and medium-sized enterprises (SMEs). The bank has set up a number of facilities aimed at boosting the performance of smaller businesses which are considered the principal drivers of the country's development.

The sustained growth of Produbanco is derived from its stalwart adherence to the highest standards of corporate governance, taking into account the interests of all stakeholders.

The CFI.co judging panel notes that Produbanco enjoys a solid reputation for transparency and received Triple A ratings from a number of credit agencies. The judges are pleased to offer Banco de la Producción SA – Produbanco – the 2017 Best Bank Governance Ecuador Award.

> MDS: BEST INSURANCE SOLUTIONS PORTUGAL 2017

Founded in 1984 to provide tailor-made insurance services to business, Portugal's MDS has grown into a diversified brokerage group with a presence on three continents. The firm is jointly owned by Sonae, one of the country's largest business conglomerates, and the Brazilian Suzano Group with interests in the paper and renewable energy sectors.

With a dominant presence in Portugal, Brazil, Angola, and Mozambique, MDS is recognised for its comprehensive range of premium insurance products and services that are easily adapted to precisely fit client needs. In Portugal, MDS has now become the country's largest insurance broker whilst in Brazil the company – with twelve branch offices and more than 400 professionals – is firmly established among the top five brokerages.

MDS is one of the founding members – and driving forces – of Brokerslink, a global broking company which bundles the capacity of independent insurance brokers. Brokerslink is owned by shareholders from forty countries and manages a network of brokers and specialty consulting firms in a hundred countries, helping establish cross-border partnerships and offering access to highly specialised insurance products not usually available in single jurisdictions.

MDS leveraged its superior technology and expertise to quickly gain prominence in its markets. The firm has invested considerable effort into expanding its geographic footprint, in addition to offering staff access to advanced and up-to-date training programmes in London and elsewhere.

The CFI.co judging panel notes that MDS remains dedicated to serving its clients efficiently and, always, with a personal touch. Excellence comprises many different dimensions – all amply covered by MDS. The judges consider MDS the clear winner of the 2017 Best Insurance Solutions Portugal Award.

> RADIX: BEST ENGINEERING IT SOLUTIONS BRAZIL 2017

Designing, implementing, and maintaining industrial strength and mission-critical digital systems, Brazilian tech company Radix is one of only a handful that manages to seamlessly integrate IT engineering and operational technology – offering clients access to a vast universe of efficiencies and synergies.

Radix helps clients find solutions to common issues, bypasses to bottlenecks, and ways to brings ideas and concepts to full fruition. The company's unique approach to IT is grounded in the recognition that technological innovation needs to address specific problems or open venues previously closed or unimagined.

Empowering clients with bespoke IT systems and moving from niche to mainstream, Radix has established itself as the go-to company for corporations looking to gain a technological edge and extract a maximum of benefits from innovation. Radix boasts a roster of large clients – both domestic and multinational corporations in addition to government entities.

The Brazilian company taps into the large pool of exceptional talent cultivated and produced at the country's leading universities and research centres. The company aims to underpin Brazil's economic and social transformation with locally developed technology.

Radix establishes long-term relationships with clients in order to gain a thorough understanding of their business. This enables Radix engineers to dovetail solutions to the needs of the clients.

The CFI.co judging panel fully agrees that Radix stands at – or very close to – the apex of IT development in Brazil. The judges are happy to offer the company the 2017 Best Engineering IT Solutions Brazil Award.

> EVERTEC: BEST PAYMENT PROCESSING PROVIDER LATIN AMERICA 2017

Processing in excess of two billion payment transactions annually, Puerto Rico-based Evertec, listed on the New York Stock Exchange [NYSE:EVTC], is one of the leading full-service business solution providers in Latin America and the Caribbean. The company was set up in 2004 as a subsidiary of Popular – the largest financial services provider in the Caribbean. It has since become a publicly traded company – the first Puerto Rican tech business to gain a listing on the NYSE.

Evertec owns and operates the ATH network, one of the leading personal identification number (PIN) debit networks in Latin America. The company expanded most recently into Colombia and has a footprint that stretches from Mexico via the Central American isthmus to South America and the Caribbean. Evertec maintains three business lines: merchant acquiring, payment processing, and business solution services. The company offers a full suite of services for core bank processing, cash processing, and the outsourcing of technology. Amongst its clients, Evertec counts large corporations, governments, merchants, and leading financial institutions that require robust fail safe technology solutions.

Boasting almost three decades' of experience in fintech, Evertec has gained wide recognition for offering innovative and reliable solutions that are fully scalable and easily adaptable to local regulatory frameworks.

The CFI.co judging panel agrees that efficient and seamless payment processing solutions are key to any organisation mindful of costs and end-user satisfaction. At the leading edge of fintech, Evertec is thus a natural winner of the 2017 Best Payment Processing Provider Latin America Award.

> WeInvest: BEST PERSONAL FINANCE DISRUPTOR ASIA 2017

Fear not: WeInvest is not about to disrupt anyone's personal finances. Rather, the firm aims to simplify, streamline, and improve the management of funds, allowing clients to consolidate and monitor their financial health – benchmarking their portfolio's performance against personal goals and keeping within the bounds of risk tolerance profiles.

Offering a smarter investment experience to its clients, WeInvest enables users to consolidate their accounts in a single app, built using proprietary technology that is eons ahead of other offerings. Investors get a bird's eye view of their portfolio and may instantly identify opportunity whilst receiving timely alerts of potentially dangerous developments that could affect their portfolio. Designed for speed and ease-of-use, WeInvest has stripped out distracting bells and whistles to offer an investment service that is clear-cut, low-cost, and fully transparent.

Based in Singapore, the world's most dynamic market in which only excellence survives, WeInvest offers a state-of-the art product at an unmatched price level featuring the lowest fees in the market. First-time or novice investors are welcomed and need only answer a few online questions to determine their personal goals and tolerance for risk. Leveraging the power of advanced algorithms, the WeInvest system suggest a number of investment approaches for building and managing a bespoke portfolio.

The CFI.co judging panel commends WeInvest on its innovative yet solid approach to building and managing investment portfolios. The judges agree that WeInvest is a worthy winner of the 2017 Best Personal Finance disruptor Asia Award.

GVK BIO: BEST LIFE SCIENCES QHSE LEADERSHIP INDIA 2017

Working in tandem with global biopharma, agro/fine chemical companies, biotech firms, and renowned academic institutions, GVK BIO is the largest India-based discovery and development solutions provider that operates across multiple geographies. It is dedicated to speed up the discovery, development, and manufacturing of customer products.

The company, founded in 2001, has carved out a pole position in the life sciences industry engaged in discovering, developing and manufacturing new chemical and biological entities, repurposing existing drugs, engineering chemical products, and helping its more than 400 customers around the world bring their products to market efficiently.

GVK BIO operates its labs and manufacturing facilities, in multiple locations across India and USA. The modern facilities fully meet the standards of the world's most important regulatory agencies such as the US Food and Drug Administration (USFDA), the World Health Organization (WHO), and the European Directorate for the Quality of Medicines (EDQM), and amongst others.

GVK BIO boasts a solid reputation for its pursuit of excellence in maintaining the highest quality, health, safety, and environmental standards, raising the benchmark for the entire industry and incorporating QHSE policies into its governance framework, thus ensuring corporate sustainability.

GVK BIO employs one of the largest pool of scientists in India, striving to improve the quality of human life. A veritable reservoir of expertise, the company employs approximately 2,500 professionals.

The CFI.co judging panel also notes that GVK BIO maintains a comprehensive corporate social responsibility programme. The judges are pleased to offer GVK BIO the 2017 Best Life Sciences QHSE Leadership India Award.

BAKHTAR BANK: BEST BUSINESS BANK AFGHANISTAN 2017

Few people are as resilient, and enterprising, as the Afghans. Given peace, Afghanistan immediately sets to work with business appearing seemingly out of nowhere and trade moving along briskly. Banks in particular have room for growth with only about 9% of the population enjoying access to financial services.

Bakhtar Bank, boasting the second largest branch network in the country and present in 30 out of Afghanistan's 34 provinces, is in the process of moving decisively into the untapped markets with a number of innovative programmes and initiatives that promote financial and social inclusion.

Bakhtar Bank's approach to the industry differs significantly from its peers: the bank's ambition stretches far beyond the financial world and includes, amongst others, and through synergistic partnerships in the micro finance sector, is working on introducing a large-scale project to help finance the country's adoption of solar energy – providing every dwelling with photovoltaic panels, thus lessening the nation's dependency on expensive imported energy

In order to tap into the 91% unbanked economy, and as a part of customer service excellence, main hurdles in access to finance and social inclusion, such as addressing faith-sensitive customer needs, have been identified and, as a result, Bakhtar Bank is introducing interest-free banking, across the board, in all its contracts.

Bakhtar Bank is also setting up and supporting a number of other corporate social responsibility initiatives aimed at leapfrogging the country to modernity. In order to do this, it is focusing on investing in education, healthcare, and communication sectors. To that end, the bank has embraced mobile technology fully adapted to the needs of Afghanistan. A number of new products and initiatives in this area are in the pipeline.

Bakhtar Bank has gained recognition for its adherence to international best practices and its dedication to operational excellence. As a result, the bank has registered strong growth. The CFI.co judging panel agrees that the all-inclusive approach to business pursued by Bakhtar Bank underpins its achievements. Bakhtar Bank is declared winner of the 2017 Best Business Bank Afghanistan Award.

> TANDEM & STARK: BEST CONSTRUCTION PROJECT COST SERVICES TEAM AFRICA 2017

Developers, investors, and real estate professionals dipping into the buoyant markets of the East African seaboard face a common challenge: project cost control. Even the most promising undertaking can have its potential damaged by spiralling costs due to mismatches in timing and/or budgeting.

Tandem & Stark has helped steer a large number of projects in East and Central Africa towards increased profitability with its range of cost engineering and cost consultancy services. The Kenyan firm enjoys a well-established reputation for bespoke solutions that ensure the on-time and on-spec delivery of projects – within or below the allocated budget.

Tandem & Stark's portfolio includes residential, commercial, and industrial projects. The firm also manages large-scale undertakings for clients in the hospitality, leisure, healthcare, and education sectors. Established in 2003, the firm has developed and implemented management structures that dovetail with local business practices. Thus, Tandem & Stark is able to consistently deliver superior results. The firm put in place a state-of-the-art IT backbone that is able to accurately handle even the largest projects.

Tandem & Stark assists clients through all development stages from feasibility studies to cashflow projections, cost planning and control, and setting up tenders.

The CFI.co judging panel notes that the Tandem & Stark team offers a full spectrum of cost management services. A repeat winner due to its dedication to operational excellence, Tandem & Stark is the recipient of the 2017 Best Construction project Cost Services Team Africa Award.

> BRITISH AIRWAYS: BEST PREMIUM TRAVEL EXPERIENCE GLOBAL 2017

Unveiling a major investment drive to upgrade its long-haul business and premium economy class services, British Airways aims to reassert its transatlantic dominance and nibble away at the increasingly fierce competition. The changes will first be implemented on BA's flagship London Heathrow to New York JFK route before being rolled out across the airline's global network. BA also works on the introduction of direct aisle access seats in its Club World – the airline's business class.

On the ground, British Airways is busy renovating its business lounges at Heathrow and Gatwick airports. The company's premier travel facilities in the US are slated to undergo a £88m makeover. In order to lessen travel-related stress, BA now offers its Gold Executive Club members direct access to the concourse via a dedicated security channel.

On board, BA is set to debut Europe's first 4G inflight network and improved Wi-Fi connectivity. The airline aims to have 90% of its fleet equipped with high-speed Internet by 2019. Travellers may use their own devices to surf the web.

Whilst BA's corporate policy squarely states that the airline's focus remains on premium passengers, the company has also introduced added-value services for price-conscious travellers. However, British Airways' management assured that the company will decline to lower its service level to compete with low-cost carriers.

The CFI.co judging panel commends BA on its dedication to excellence. The judges are pleased to offer British Airways the 2017 Best premium Travel Experience Global Award.

> HERALD LAND: BEST UK PROPERTY INVESTMENTS ADVISORY UAE 2017

Opening the UK property market to savvy overseas investors, and maximising their clients' exposure to the upside of both commercial and residential real estate, the professionals of Herald Land are recognised for their ability to identify – and swiftly act upon – exceptional opportunities. The company maintains offices in the UK, Dubai, Qatar, and Hong Kong.

In business since 2009, Herald Land has accumulated a vast reservoir of expertise that enables the firm's seasoned professionals to select premium property with the highest earnings and returns potential. Herald Land's fifty realtors and support staff adhere to proprietary control and vetting processes that ensure only the best properties are selected for inclusion in the firm's portfolio and offered to clients. In practice, no more than 2% of properties under consideration are accepted for sale through Herald Land.

Specialised and at home in the UK property market, Herald Land is fully licensed by the Dubai Economic Department and works with individual investors who seek to benefit from Great Britain's booming property market either via natural growth cycles or exposure to residential and commercial hotspots.

The CFI.co judging panel is pleased to note that Herald Land embraces and represents the highest standards in real estate investment, offering clients a range of peerless services and streamlined access to one of the world's best performing – and solid – property markets. The judges are therefore happy to extend Herald Land the 2017 Best UK Property Investments Advisory UAE Award.

> COVENANT BANK FOR WOMEN TANZANIA: BEST SOCIAL IMPACT BANK TANZANIA 2017

A bank built from the bottom up, Tanzania's Covenant Bank for Women helps deepen and broaden the reach of commercial banks by addressing the specific needs and requirements of sectors underserved by other financial services providers. The bank is focused on small and medium sized businesses (SMEs), micro entrepreneurs and, of course, women.

The Covenant Bank for Women seeks to tap into – and empower – a large segment of the market that is still underbanked and marginalised. The bank's management recognises the importance of an inclusive approach to the overall development of the nation.

Privately-owned and with only women shareholders, Covenant Bank for Women aims to facilitate the creation of wealth by supporting initiatives and projects that help unlock the economic potential of SMEs, start-ups, and micro businesses. Countless studies by the World Bank and others show time and again that sustained growth can only be obtained via inclusive development policies.

The bank helps women entrepreneurs and others draw up detailed business plans and offers hands-on management advice in addition to regular workshops on a wide range of topics relevant to both start-ups and established enterprises.

The CFI.co judging panel notes that the bank maintains a number of different credit products that closely match the needs of small businesses at varying stages of their development. The judges agree that Covenant Bank for Women deserves recognition for its achievements and declare the bank winner of the 2017 Best Social Impact Bank Tanzania Award.

> BARINGTON CAPITAL GROUP: BEST ACTIVIST INVESTOR CORPORATE GOVERNANCE TEAM UNITED STATES 2016

A value-oriented activist investor since early 2000, Barington Capital Group invests in undervalued publicly-traded companies that it believes can appreciate significantly in value via improved corporate governance, operations, capital allocation, and business strategy.

Barington's team of seasoned professionals leverage their experience to help companies design and implement policies and initiatives to significantly improve long-term shareholder value.

The firm's founder James Mitarotonda has established a solid reputation for investing in undervalued companies and moving quickly and decisively to help such companies unlock their value potential.

Barington has helped improve corporate governance and transparency at numerous publicly traded companies and is one of the first activist investment funds to recognize that strengthening a company's corporate governance helps facilitate the introduction and implementation of new measures to improve long-term performance.

Barington Capital Group boasts considerable experience investing in consumer-focused companies. It has held significant stakes in companies such as Avon Products, Chico's, The Children's Place, Darden Restaurants, Dillard's, The Jones Group, Lone Star Steakhouse, Nautica, Pep Boys, Steven Madden, and Warnaco.

Over the past three years, nine companies have made significant improvements to their boards after Barington's involvement.

The CFI.co judging panel is delighted to offer Barington Capital Group its 2016 Best Activist Investor Corporate Governance Team United States Award.

> COMPENSWISS: BEST PENSION FUND GOVERNANCE SWITZERLAND 2016

The Swiss Compensation Funds (Fonds de compensation) comprise three entities that jointly manage the surplus monies of the country's social security system – i.e. the difference between incoming contributions and benefits paid out. The Fonds are managed by an independent entity, and, as such, are not part of the Swiss federal administration. However, the Swiss Federal Council – the central government – does appoint the Fonds' directors and approves the yearly accounts.

Recognised for its strength in corporate governance, the Fonds aim to adhere to the principles and guidelines established by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – an entity formed in 1985 to combat corporate fraud.

The Fonds engage private auditors to annually assess internal control systems and processes and report the findings directly to the board of directors which bears responsibility for governance and strategy. An external controller, also reporting to the board, monitors the implementation of board decisions regarding strategy and assesses performance.

Additionally, the Fonds' general secretary is charged with ensuring full compliance with all relevant rules and regulations, and adherence to best practices. A strong risk management division ensures that both financial and non-financial risks are identified and quantified early-on. The division is also responsible for the development of up-to-date risk management processes.

The CFI.co judging panel is pleased to note that Compenswiss – the common denominator for the Fonds de compensation – has pushed the envelope of corporate governance. The judges are pleased to offer Compenswiss the 2017 Best Pension Fund Governance Switzerland Award.

> MYANMAR AGRIBUSINESS PUBLIC CORPORATION: BEST CORPORATE GOVERNANCE IN AGRIBUSINESS SOUTHEAST ASIA 2016

Promoting food security and providing a strong impulse to the entire agricultural sector, the Myanmar Agribusiness Public Corporation (MAPCO) mobilises funds to sharpen the competitive edge of the country's rice industry. Set up in 2012 as a privately-owned public company, MAPCO aims to help develop Myanmar's agribusiness sectors, considered one of the most dynamic drivers of the country's buoyant economy, and set up the infrastructure needed to unlock the potential of the interior.

A public-private partnership, MAPCO is charged with encouraging broad investment into agribusiness in general and rice cultivation and processing in particular. The company is focused on implementing and furthering a sustainable business model that takes the interests of all stakeholders into consideration. MAPCO aims to improve the lives of rice farmers working small holdings by introducing modern techniques and putting in place improved warehousing and transportation facilities that help drive down costs.

As the business arm of the Myanmar Rice Federation, MAPCO is sustained by three pillars: food security, business improvement, and market development. In order to attain its objectives, MAPCO has implemented, and adheres to, the corporate policies and governance principles and guidelines as formulated by the OECD. The company has gained wide recognition as a corporate governance pioneer in Southeast Asia.

The CFI.co judging panel is eager to offer its recognition of MAPCO's impressive achievements and declares Myanmar Agribusiness Public Corporation winner of the 2016 Best Corporate Governance in Agribusiness Southeast Asia Award.

> JAGUAR LAND ROVER: BEST LUXURY CAR MANUFACTURER GLOBAL 2016

The Best Car in the World; Women's World Car of the Year; World Car Design of the Year. The Jaguar F-Pace, the company's first foray into the extremely competitive SUV market segment, was received to almost universal acclaim. Labelled by some as the most beautiful motor ever designed, the vehicle has critics waxing lyrical, though, admittedly, Jeremy Clarkson's verdict is not yet in.

Perhaps not one of the fastest vehicles it ever produced, the F-Pace is, however, the fastest-selling model in the company's long history. The car took top honours at the prestigious New York Auto Show where it trumped offerings from Audi, Porsche, and Volkswagen.

Marketed as a performance SUV, the Jaguar F-Pace stakes a claim on territory previously considered the exclusive domain of Porsche. The F-Pace is available in two versions: a fuel-sipping well-behaved beast powered by the innovative four-cylinder low-emission Ingenium diesel engine, and a much more feisty model spurred along by a supercharged 3.0 litre V6 powerplant developing 380PS and barrelling the vehicle from 0 to 100 km/hr in just 5.5 seconds.

Thanks to the revolutionary F-Pace, Jaguar has now become Europe's fastest-growing car brand. In order to take on the Porsche Macan – and admire that car's good looks in the rear view mirror – the quintessentially British car manufacturer is now developing the Jaguar F-Pace SVR, shoehorning a supercharged 5.0 litre V8 into the engine bay, cranking the power output up to 567PS, and shearing a full two seconds off the car's 0-to-100 performance.

The CFI.co judging panel is awestruck and considers that the F-Pace, in whatever configuration, has reaffirmed Jaguar Land Rover's claim to the 2016 Best Luxury Car Manufacturer Global Award.



> Africa

Mind the Fish

By Wim Romeijn

It did not grab the headlines or provide memorable moments. Moreover, delegates to World Ocean Summit discussed a range of topics that, to the uninitiated, could seem rather boring such as Financing the Sustainable Ocean Economy, Emerging Investment and Risk Frameworks for the Ocean, and Pushing Renewable Energy in the Sea – to name but a few. The fourth edition of the annual event, hosted by The Economist with support of the United Nations Environmental Programme (UNEP), took place in the last week of February on Bali, Indonesia.





Business leaders, policymakers, scientists, and other stakeholders discussed ways to create a holistic governance system for the blue economy – touted as a sustainable way to exploit the oceans' riches. Esoteric topics aside, the initiative is both welcome and valuable: numerous studies show that many of the challenges faced by developing nations can be met through the proper management and fair allocation of the oceans' resources.

Africa, in particular, has suffered much from the appropriation and depletion of its fish stocks by flotillas of foreign trawlers and factory ships. In Somalia, fishermen deprived of their catch took to piracy whilst in Senegal, where an estimated two million people depend on the sea's bounty for their livelihood, efforts to protect territorial waters and the adjacent exclusive economic zone are hampered by the navy's deficient patrol capacity. As a direct result, migratory pressures increase.

"Since Spain in 2009 closed the West African escape route to the Canary Islands, unemployed fishermen are congregating on Libya in their attempt to reach Europe," says Dr Djiga Thiao of UNESCO's Oceanographic Research Centre in Dakar. Dr Thiao explains that in former times an entire family could easily survive on the catch landed by just a single pirogue: "Today, not even five would do." Predictably, the number of pirogues in West African countries ballooned from around 3,000 in 1997 to an estimated 21,000 today. Meanwhile, the regional stock of bottom-dwelling fish is down to 25% of what is was a quarter century ago: seven times more boats chase four times less fish – the math speaks volumes.

In Mauritania, lobster has vanished completely, whilst the octopus catch – now the country's most valuable – is not even 20% of what it could be if the seas were not overfished. Already in 2002, a report commissioned by the European Union concluded that most marketable fish species in the waters off Senegal were "close to collapse" or "on the verge of extinction" with their biomass decreasing by 75% in just fifteen years. Since then, the situation has worsened further.

Whilst it offers West African countries some help with patrolling their waters, the EU also continues to buy up fishing rights on the cheap so that its large trawlers can trace and catch the remaining fish stocks. Few countries are able to resist the hundreds of millions offered by the Europeans, Chinese, Russians, and others to legally prowl and empty their waters. In Mauritania, the sale of licences covers close to 25% of the government's total expenditures. Local fishermen, meanwhile, are left without a catch and oftentimes no other choice but head north towards the fata morgana of the promised land.

"The economics of fishing are just too attractive – as are the subsidies paid out. European consumers pay twice over for their fish: the EU pays countries such as Senegal and Mauritania a lump sum in return for a partnership agreement which is then topped up by the fishing industry on a per tonne basis."

Super trawlers such as the 5,800 ton Cornelis Vrolijk from the Netherlands – which hoovers up around 23% of the total annual English fishing quota – regularly appear off the coast of West Africa to suck nearly all life out of the sea. At any one time up to fifty foreign trawlers are active in Mauritanian waters, though the Pelagic Freezer Association (PFA) – representing nine large European trawler operators – argues that its vessels stay well outside the range of land-based pirogues and take in species that are not fished by the locals, thus avoiding unfair competition. Experts estimate that it takes 56 local pirogues an entire year to catch the volume of fish that is brought aboard and processed by an average PFA factory trawler during the course of one afternoon.

The heavily subsidised EU fishing fleet drags in an annual catch of 235,000 tonnes of small pelagic species in Moroccan and Mauritanian waters in addition to tens of thousands of tonnes in other fish species from further down the West African coast. However, the total catch hauled from West African waters is unknown as most fishery deals with non-EU fleets are kept secret. Greenpeace suspects the annual total may well exceed four million tonnes. A report commissioned by the European Parliament concludes that China's 2,000-vessel-strong ocean-going fishing fleet may catch up to twelve times the amount reported to the UN's Food and Agriculture Organisation (FAO).

The PFA, promoting itself as a sustainable alternative to the depredatory practices of the Russian, Korean, and Chinese fleets, uses locally-hired crews, lands its entire catch in west and central African markets, and argues that it now represents the region's largest – and often only – source of affordable protein in those countries.

Not to be confused with the trawler operator's trade association, the FPAs – Fisheries Partnership Agreements – that the European Union seals with West African countries contain lofty passages that aim to protect local fishing communities. The FPAs cover surplus fish stocks – those deemed out of reach to pirogues. However, these clauses are, at best, based on educated guesswork or wishful thinking since almost no scientific data is available to support sustainable practices. Whereas stocks in European waters are closely and continuously monitored for volume and health by dozens of state-of-the-art research vessels, no such effort takes place in West African waters.

The economics of fishing are just too attractive – as are the subsidies paid out. European consumers pay twice over for their fish: the EU pays countries such as Senegal and Mauritania a lump sum in return for a partnership agreement which is then topped up by the fishing industry on a per tonne basis. In the end, Europe's partners receive only around a quarter of the catch' total worth.

However, as a business proposition, fishing is not particularly lucrative. After attaining its peak in 1996 with a global annual turnover of $126bn, the industry currently bobs around the $100bn mark – with a profit of not more than $3bn. To realise that profit, the industry requires some $35bn in annual subsidies – dubbed The Sunken Billions by the World Bank. Reorganising global fisheries could, however, reanimate the moribund industry and up its profitably significantly – without government support – to anywhere north of $50bn per year.

The math is surprisingly simple: cut the pressure on fish stocks by half and within just a few years watch its biomass increase by 250%. Now the total catch can sustainably increase by ten to twenty percent annually whilst profitability soars as smaller fleet operates at peak efficiency, landing more valuable fish. There is a remarkable precedent: during the five years of World War II, the North Sea was not fished and saw its stocks recover to record levels – providing a welcome boon to the industry. With their country in the throes of a vicious civil war, fishermen in Sierra Leone managed to haul in excellent catches which promptly disappeared once peace was restored and foreign trawlers again dared approach the country's coast.

Effective and sustainable fisheries management is key to the development of Africa – and to limiting migratory pressures. It features high on the agenda of the United Nations Ocean Conference, scheduled to take place in New York in the first week of June. The blue economy – the global ocean commons – must take the spotlight with workable solutions that can be enforced and help countries regain control over their resources. Tried and tested solutions are readily available. As usual, the bigger challenge is to find – and hold – common ground. ❊

> CFI.co Meets the Acting CEO of InvestSA:

Yunus Hoosen

With investors lining up to invest in South Africa's future, Yunus Hoosen of InvestSA travels the world's financial capitals to showcase his country's growing importance as an economic and financial hub for Sub-Saharan Africa. In keeping with the government's efforts to achieve full-scale industrialisation and deliver the sustainable economic growth required to underpin social progress, InvestSA was revamped last year to offer investors a convenient and all-inclusive single window that facilitates access to South Africa's dynamic market.



Acting CEO: Yunus Hoosen

"More and more investors are keen to invest in this country. InvestSA maintains a good investment pipeline and this year we'll again be working on a number of large projects that bring much-needed investments into the country, creating thousands of jobs," says Mr Hoosen, note of InvestSA and vice-president of the World Association of Investment Promotion Agencies (WAIPA).

Having over twenty years' experience in FDI, international trade, and economic development, Mr Hoosen has gained wide recognition for his work in prying open export markets, negotiating trade deals, and formulating policies that facilitate investment. Now in as headd of the country's one-stop shop for investors, part of the Department of Trade and Industry (DTI), Mr Hoosen recently signed a memorandum of understanding with the board of Investment Thailand to tighten the economic ties between the two countries. The landmark deal allows for increased cooperation in the agribusiness, automotive, and electronics sectors.

"The memorandum will also enhance our collaborative efforts to attract investments into our countries and we are optimistic that the implementation of the MoU will see Thai investors setting up manufacturing plants in South Africa resulting in job creation." Mr Hoosen noted that DTI data shows a marked increase in trade between both countries – up 24.3% in 2016.

"South Africa is still an attractive investment destination. The appetite and keenness of international companies to invest in South Africa remained high last year. This is evidenced by the fact that last year we saw the launch of one multimillion-rand investment every month from January to December in the country."

As an example, Mr Hoosen mentioned the Beijing Automotive IWWnternational Corporation which invested R11 billion. Ford Motor Company invested R2.5 billion in the country, while Acwa Power initiated a R5 billion project. "This provides evidence that South Africa has not lost its lustre as an investment destination of choice for multinational companies from various parts of the world."

Mr Hoosen also explained that each of the country's nine provinces is busy revitalising or setting up industrial parks, including all the necessary infrastructure, to provide investors with an experience not dissimilar to the convenience of plug-and-play: "Such parks may be sectorial in nature to maximise synergies. We also offer packaged opportunities that, amongst others, allow investors to use South Africa as a springboard for the continent. The country offers an infrastructure unequalled elsewhere on the continent in addition to an investor-friendly business climate and strong institutions that provide added security and certainty."

Mr Hoosen also mentions South Africa's long-standing dedication to free trade: "Many companies have already found that the country is well equipped to function as an efficient export platform that boasts easy access not just to the wider region, but also to world markets."

The one-stop-shop (OSS) approach pioneered by InvestSA includes not only investment promotion and facilitation, but also emphasises aftercare. The agency is known for its smooth-running and streamlined procedures that include fast-track processing of initiatives and the reduction of red tape.

"In addition to continuing to attract and facilitate investments, InvestSA will be embarking on a mission of establishing OSS throughout the country. We will be launching the national OSS in Pretoria early this year and then roll out to all provinces over the next three years."

The OSS approach also helps investors access and deal with different government departments to coordinate and facilitate any regulatory considerations: "As such, InvestSA acts as a facilitator to investors, opening up the country and, effectively, unlocking a wealth of opportunities." ❇



> InvestSA:

One Stop Shop for Investors

investSA
ONE STOP SHOP

Officials of Invest South Africa (InvestSA), an initiative of the Department of Trade and Industry (DTI) will once again put their shoulder on the wheel this year in order to attract and facilitate more domestic and foreign direct investments in the country.

"We will again be working hard to bring the much-needed investments into the country throughout this year as part of government's efforts to achieve full-scale industrialisation, inclusive economic growth and job creation. The appetite and keenness of international companies to invest in South Africa were high last year. This is evidenced by the fact that last year we saw the launch of one multimillion-rand investment per month from January to December in the country, thereby creating for the people of South Africa," says the head of InvestSA, Yunus Hoosen.

He adds that last year's investments by Beijing



Sandton

"We will again be working hard to bring the much-needed investments into the country throughout this year as part of government's efforts to achieve full-scale industrialisation, inclusive economic growth and job creation."



Automotive Interactive Corporation (R11 billion), ACWA Power (R5bn), Ford (R2.5bn), Sumitomo Rubber (R2bn), Nestlé (R1.2bn), Cipla (R1.3bn), and Toyota (R500m), provide evidence that South Africa has not lost its lustre as an investment destination of choice for multinational companies from various parts of the world.

InvestSA is an internationally recognised and award-winning division of the DTI, providing a one-stop-shop service to investors. This includes investment promotion, facilitation, and aftercare, all of which are geared at fast-tracking projects and reducing government red-tape. It is also tasked with the responsibility of facilitating the increase in the quality and quantity of foreign and domestic direct investment by providing an investment recruitment, problem-solving and information service to retain and expand investments.

"South Africa is still an attractive investment destination. InvestSA still has a good investment pipeline. There are a number of investment projects that we will be working on again this year. More and more investors are keen to invest in this country," adds Mr Hoosen.

He reckons that the work of InvestSA as a national investment promotion agency and the investment profile of South Africa as a country, have been significantly enhanced by the international recognition that InvestSA received last year. This include the global winner award for excellence in partnering for investment promotion by the United Nations Conference on Trade and Development (UNCTAD), and the runner-up award at the Annual Investors Meeting in Dubai for promoting investment in sustainable development. It was also recognised by CFI.co, a renowned international business journal in the United Kingdom, for its work in attracting investment to South Africa.

"In addition to continuing to attract and facilitate investments, we will be embarking on a mission of establishing one-stop-shops (OSS) throughout the country. We will be launching the National One-Stop Shop in Pretoria early this year and then roll out to all provinces over the next three years," says Mr Hoosen.

The OSS will be the focal point of contact in government for all investors to coordinate and facilitate with the relevant government departments involved in regulatory, registration, permits, and licencing. ❊

> Catoca:

A Holistic Approach to Diamond Mining

The Catoca mining company is the largest private employer in Angola with around 2,190 employees on its payroll and more than 1,500 workers holding jobs with subcontractors. The company also generates more than 10,000 indirect jobs. In the diamond sector, Catoca is the largest tax contributor. Overall, the mining company's tax bill is only surpassed by corporations in the oil and natural gas sector. As such, Catoca's operations have a considerable social-economic impact on the Lunda Sul Province and the country as a whole.

Catoca's production levels are set annually by the company's shareholders: Endiama (32.8%), Alrosa (32.8%), Lev Leviev (18.4%), and Odebrecht (16.4%). In order to meet its targets, Catoca employs state-of-the-art technology of both Russian and South African origin – the two major players in the global diamond market.

> "Catoca displays a keen awareness of the company's social responsibility in the areas where it operates, such as Saurimo, the capital city of the Lunda Sul Province."

Catoca's Diamond production directly impacts Angola's economy, and helps drive the country's growth. The company is Angola's largest diamond miner, responsible for up to 80% of the domestic output.

The company is actively engaged in promoting the transfer of technology. To this end, Catoca liaises with other mining companies in order to help them gain access to modern mining methods and, thus, increase efficiencies and production volumes.

Catoca displays a keen awareness of the company's social responsibility in the areas where it operates, such as Saurimo, the capital city of the Lunda Sul Province. Here, a number a corporate social responsibility initiatives have been deployed to improve the social infrastructure in the surrounding towns and villages, to encourage sports, distribute meals, assist teachers, help further public health, and provide building materials, amongst others.

SKILLS DEVELOPMENT

Catoca's human resources policy is geared towards local skills development. As a result,









fully 95% of the workforce has been recruited in Angola while 85% of management jobs are held by Angolan professionals. Catoca maintains a comprehensive programme that aims to help its employees gain and develop valuable skills. The company also implemented a skills evaluation programme with a view to encouraging excellence and thus lay the foundations for future corporate growth. Catoca's human resources policy has merited recognition from a number of non-profit entities and is consistently ranked as one of Angola's best employers.

Thanks to its highly qualified workforce, Catoca has managed to obtain and sustain outstanding long-term financial results. This also underpins a number of expansion projects. Catoca management considers skills development key to its business.

In 2012, and less than sixteen months after the implementation of an integrated management system, Catoca was audited by SGS ICS Portugal which confirmed the company's ISO9001 certification. The following year an internal audit was undertaken to evaluate the company's management processes. This audit was, in turn, followed by a systems analysis undertaken by SGS ICS Portugal. As a result of its excellent performance, Catoca was awarded with the International Trophy for Quality in Paris, France. The company was also nominated for the International Award for Leadership in Image and Quality.

Thanks to the implementation of the integrated management system, Catoca also received recognition from the Other Ways International Association in Rome, Italy. In 2015, the company was the first in Angola – and only the third in the world – to be ISO9001:2015 certified.

In February 2015, the results were published of a number of prospecting initiatives developed by Catoca in its New Kimberlite concession area. Two deposits discovered by Catoca - the Luemba Project (Tchiuzo mine) and the Luele Project (Luaxe mine) – offer Angola the possibility of becoming the world's largest diamond producer within six to seven years. The Luaxe mine is poised to overtake Catoca with reserves in excess of 230m tonnes of ore.

THE ENVIRONMENT

Over the years, Catoca has made significant investments in order to fully comply with environmental regulations and ensure waste products are properly processed, recycled, and/or disposed of. The company maintains facilities for the retreading of tires and the recycling and upgrading of used lubricants to ensure clean burns. A number of reports have also been produced, such as an environmental impact study and mine closure landscape recovery, water usage, environmental management, and waste management plans.

In 2016, work has started on a comprehensive internal emergency and environmental









contingency plan. These initiatives aim to further improve corporate performance by mitigating and eliminating risk.

Catoca also works towards increased energy efficiency with a number of projects that will provide increased sustainability by tapping into renewable energy sources. Currently, Catoca already powers its operations with up to 45% of renewable energy, including power provided by the Rio Chicapa hydroelectric plant of which the company is a shareholder. In order to slash power costs, Catoca has invested in more energy-efficient hardware.

CORPORATE SOCIAL RESPONSIBILITY

Mindful of its long-term corporate responsibilities, Catoca maintains a large prospection programme to locate new ore deposits and opportunities in Angola with ongoing explorations in the concession areas of Luaxe, Vulege, Gango, Quitubia, Tchiafua, Luangue, Luemba, Lapi, and Gambo.

Corporate social responsibility (CSR) is divided in two segments: internal and external to the company. External CSR provides assistance to communities in close coordination with the provincial government of Lunda Sul.

- Meals are supplied to primary schools, orphanages, and the paediatric ward of the provincial hospital in partnership with the Brilhante Foundation, the Saurimo Diocese, and provincial authorities.
- Support for the Superior Polytechnic Institute of Lunda Sul and the Lueji A'Nkonde University.
- Nutritional support for retirement homes.
- Drinkwater supplies.
- Support for local entrepreneurs.
- Support for community gardens and agricultural cooperatives.
- Maintenance of a mobile cinema unit.
- Sponsoring of cultural initiatives such as theatre, dance, and literature.
- Partnerships with local government such as the Economic Development Support Programme (PADES) which aims to increase the local production of foodstuffs and promote aquaculture and food security.

Internal CSR deploys a number of initiatives to optimise the social conditions of the company's employees and their families. Internal CSR initiatives directly and indirectly affects the lives of more than 10,000 people.

- FUNCAT – the Catoca Pension Fund.
- Healthcare – medical first aid station with a capacity to offer care to 200 people per day and public health and HIV programmes.
- Healthcare insurance.
- Life insurance.
- Housing – the Mwono Waha Programme encourages home ownership in an purpose-built estate and with attractive financing options.
- Mobility - automotive credit lines
- Cash advances
- Support for bereaved families
- Professional development programmes and bursaries.

Reaffirming its commitment to the improvement of the social conditions in the region, Catoca also maintains its Vila Sagrada Esperança Programme which includes the building of 220 houses for company employees and, as such, contributes towards the lessening of the housing deficit in the provincial capital.

FINAL CONSIDERATIONS

Catoca is dedicated to continuously improve the operational efficiency of its mines and to optimise the performance of the company's processing plants in order to control costs. The company also proactively pursues its prospecting mission in order increase output and help boost Angola's economy. ❊

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> CFI.co Meets the CEO and Principal Officer of NJMPF:

Sam Camilleri

What drives the NJMPF forward, how do they create further momentum?
"Reflecting on the successes of 2016, it is difficult to imagine how to top it," says Sam Camilleri, CEO and Principal Officer of the Natal Joint Municipal Pension/KwaZulu-Natal Joint Municipal Provident Funds (NJMPF) when we caught up with him recently.

The NJMPF always has more than one major project on the go at any given time – the responsibility to achieve these is given to teams of skilled staff headed by a member of the management team. This ensures focussed attention to the task at hand and status reports are presented to Camilleri regularly.

So, what inspires them to go the extra mile?
"It is perhaps an inherent belief that our duty lies in improving the lives of our members and pensioners. It means we need to find innovative ways to become more efficient and cost-effective in the running of the Fund. We are constantly looking for better ways to communicate and educate our members so they may make the right financial decisions when it comes to their Fund and their financial futures."

"The financial literacy programme is an example of doing just this. Whilst part of the W's membership has the financial savvy to understand the nuances of financial planning and fiscal responsibility, the NJMPF positions itself to act as a conduit between National Treasury and the membership who are less equipped to understand the complexities of investment and risk benefit management."

"Some of the projects involving members and human resource representatives at the 55 municipalities they service include: working with the Financial Services Board and the Office of the Pension Fund Adjudicator in South Africa, presenting educational modules encompassing the need for drafting a will, inflation, compounding interest, budgeting, encouraging higher contribution rates into the NJMPF's Provident Fund and the most recent project being the South African National Credit Regulator joining Member Roadshows conducted by the NJMPF. "

"This culture of working with the national regulators extends to co-operative and constructive engagement with our provincial government. We also work with the Financial Services Board by adopting unclaimed benefits as a major project and provide input at national level with the upcoming Default Regulations. We find ways to implement proposed legislation in a positive way and avoid highlighting the reasons why something wouldn't work."



CEO and Principal Officer: Sam Camilleri

"Investment returns have been phenomenal in the past few years and our pensioner increases and bonuses are unsurpassed. Our pension increases are way ahead of inflation and this impacts positively on the quality of life of our pensioners."

Through his interactions with global leaders in the investment and retirement funding arena, and the recognition gained in New York, London, The Hague and in South Africa, Camilleri has raised the bar for his team. No longer is the NJMPF satisfied with setting the standard within South Africa, the Fund is looking to be a market leader recognised globally for the work it is doing.

Whilst the core principles of good governance, clean audit, top-quartile investment returns, and accurate administration remain important, the NJMPF is constantly trying to find new ways to communicate with members and pensioners and to providing value-added solutions.

Through Camilleri's inspirational leadership, the team at NJMPF believe it still has plenty to give their stakeholders by providing a service of the highest international standard. ❄



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> Natal Joint Municipal Pension/Provident Funds (NJMPF):

Moving Forward, Continuing the Momentum

For over half a decade the Natal Joint Municipal Pension/KwaZulu-Natal Joint Municipal Provident Funds (NJMPF), a South African retirement fund, has been successful in achieving numerous awards both locally and internationally.

"Although awards are usually a good indication of performance, the challenge is sustaining and continuing the momentum," mentions Sam Camilleri, CEO and Principal Officer at the NJMPF. "This momentum happens because we continually ask ourselves – what's next? This drives us forward and keeps us on track with our mission and obligation of providing superior retirement services." Through recent projects and campaigns, the NJMPF reveals how it continues to move forward.

AN ETHICAL CORPORATE GOVERNANCE CULTURE

For the NJMPF, executing good governance is not based on a tick box approach where parameters of good governance are based on compliance with statutory and legal requirements set out in the Pension Fund Act and other legislative statutes regulating retirement funds industry in South Africa. Instead, the NJMPF's governance structure is built on a culture where ethical and astute behaviour is rooted in its DNA. Evidence of this is that, over the years, the NJMPF subscribes to the Institute of Directors for Southern Africa (IoDSA) which is the convener of the King Committee and the custodian of the King Reports which examine the levels of good corporate governance structures, policies, and procedures for legally registered institutions in South Africa. The NJMPF, for many years including the most recent assessment in 2016 by IoDSA, has been achieving an overall score of AAA – the highest achievable. This shows the continued nature of good governance at the NJMPF.

MAINTAINING CLEAN AUDIT REPORTS

The Auditor-General of South Africa has a constitutional mandate, and exists, to strengthen accountability and governance in the public sector. The NJMPF has continued to achieve clean audit reports in an environment where these are rare. Clean audits promote confidence and ensure stakeholders that their funds are administered in a proper and sustainable manner. This achievement is further evidence that the NJMPF continues to uphold its compliance requirements whilst maintaining its momentum.

> "Through its smartphone application, NJMPF aims to influence and motivate members to improve their financial provision for retirement and also encourage members to think about retirement planning daily."

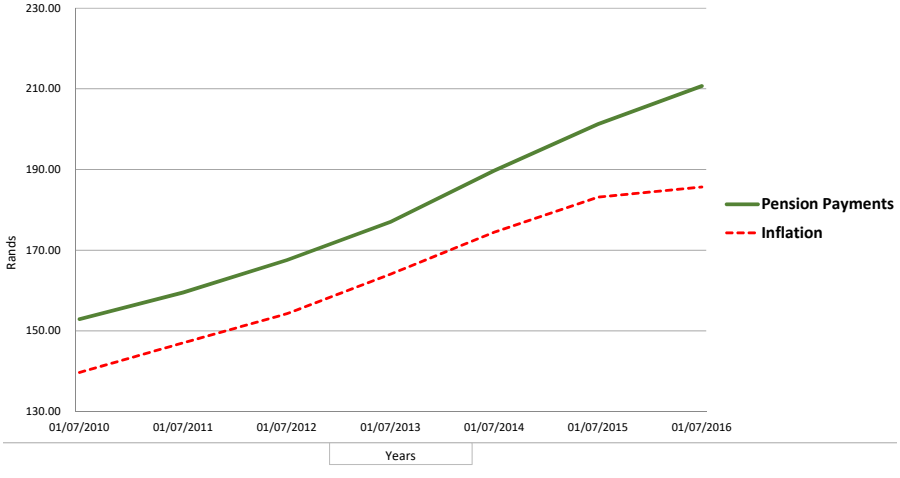
ENHANCED BENEFITS FOR STAKEHOLDERS

One of the fundamental obligations of a retirement fund is to ensure members and pensioners have inflation-beating investment returns and monthly pensioner payments keep up with the inflation rate.

Over recent years, the NJMPF has been able to sustain good investment returns for stakeholders. According to the NJMPF's actuary, who is independent from NJMPF's administration, if you had invested R 1 million with NJMPF (Provident Fund) in the year 2000, your investment earnings would have increased nine-fold – to be worth more than R 9 million (after costs) in 2016. And, it does not stop there: pensioners of the NJMPF are awarded increases and benefits which greatly improve their standard of living. If the market performs well, NJMPF pensioners also receive ad-hoc bonuses or one-off special increases, the most recent being a special increase of 8.33% which was paid from January 2016. Since July 2015, pensioners of the NJMPF have received monthly increases totalling 19.08%. Below is a graph showing pension increases and bonuses versus inflation over the past six years ending 2016.

As can be seen from the graph, increases and bonuses declared by the NJMPF to their pensioners surpass inflation significantly – reflecting an improved standard of living for Pensioners.

A significant project, initiated by the NJMPF, is the alignment of its Rules and Regulations to new legislation and the elimination of past





discrimination. The rationalisation for updating the Rules and Regulations is aimed at improving and protecting stakeholders' benefits. This is all part of the NJMPF's strategy to continually move forward in enhancing the lives of its stakeholders.

ELIMINATING UNCLAIMED BENEFITS

Unclaimed Benefits are a big concern for retirement funds in South Africa. The South African Financial Services Board has reported that Unclaimed Benefits owed to some 3, 5 million beneficiaries of retirement funds, probably amounts to R 34 billion.

Unclaimed Benefits arise when a member resigns, retires, or passes away, leaving no contact details. Monies due cannot be paid out until contact has been established with the member, widow, guardian or beneficiary.

The NJMPF experiences difficulties in locating members, especially since its membership is spread across the Province of KwaZulu-Natal (South Africa) where members were previously employed at one of the 55 municipalities they serve. The NJMPF has always considered finding members/dependants important, but as a result of a focused strategy to combat Unclaimed Benefits, the unclaimed value of benefits, including accrued interest, has been reduced to R 4 million, a mere 0.02% of the NJMPF's total assets.

The project continues with vigour as the NJMPF will not be satisfied until all members are traced and their benefits paid out.

PROVIDING LIFE-CHANGING COMMUNICATION AND EDUCATION

The NJMPF has improved its communication and interaction with stakeholders through information technology by introducing an interactive webpage that was developed around meeting the needs of its stakeholders. Features on the webpage include items such as member login, site offered in more than one language (also in Zulu which is the language of the majority of members), training videos, financial literacy articles and tools, net replacement ratio estimations, loan repayment calculators, instant access to pension certificates and benefit statements. This allows stakeholders to have instant access anywhere and anytime.

Soon, the NJMPF will debut a cross-platform mobile application that will allow its members to have easy and direct access to information and benefits using their smart phones. Research conducted on smartphone usage reports that smartphone access in South Africa is growing rapidly and this is becoming a significant communication medium.

According to Camilleri, "Through its smartphone application, NJMPF aims to influence and motivate members to improve their financial provision for retirement and also encourage members to think about retirement planning daily."

A dedicated client relationship officer from NJMPF visits members at 55 municipalities throughout the year, explaining the benefits of the fund and presenting educational financial literacy information. Workshops are held twice a year at NJMPF's offices for human resources and payroll staff from the municipalities to attend training, refresher training, and launches of new services. In order to enhance relations and open further communication with stakeholders, the NJMPF recently introduced a campaign to liaise directly with senior municipal officials (municipalities are the employers of NJMPF members).

Roadshows for beneficiaries and guardians have also been introduced recently by the NJMPF. The roadshows are designed to assist beneficiaries and guardians who reside in remote locations and allow easy access to the NJMPF. This limits misunderstanding and enhances knowledge-sharing in an endeavour to achieve better communication.

Planned for 2017 are pensioner roadshows and presentations at venues across the Province of KwaZulu-Natal. During the roadshows current and relevant information will be shared such as declaration forms, pension increases, tax certificates and developments affecting the pensioners. The project is aimed at giving pensioners who reside in remote areas an opportunity to directly interact with the NJMPF's delegations.

The NJMPF's drive, passion, strategic views, and continued commitment in providing superior retirement service for stakeholders has allowed the NJMPF to move forward which is why it has been able to continue with its momentum. ❇



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State-of-the-Art Payment Solutions

Tracom Services, headquartered in Nairobi, Kenya, and with offices throughout East and Central Africa provides secure payment solutions in Uganda, Tanzania, Burundi, Ethiopia, Rwanda, Sudan and South Sudan.

Tracom Services closely works with first class international partners, such as Ingenico, Future X – HSM Technologies, Cardag, Evolis, Diebold, Softpro, and Safran, amongst others, to build capacity and stay ahead as far technology is concerned. The company delivers quality innovations today, using tomorrow's technologies. Tracom Services aims at being the leading payment solution provider by simplifying and securing financial transactions. The company also aims at building long-lasting business relationships so as to build confidence and



"Tracom Services aims at being the leading payment solution provider by simplifying and securing financial transactions."



CEO: Amon Kiarie

maintain its good reputation as the most trustworthy and dependable payment solution partner available. Tracom is constantly looking for new ideas, technologies, and ways to conduct business so as to keep the company on the cutting edge of developments and a step above the competition by optimising available resources.

Through a dedicated project management team, Tracom works on its ability to understand customer requirements and convert these into appropriate and cost effective solutions which include alternative banking channels, e-wallets, and mobile money, bespoke banking automation, bank switching software, universal card and transaction processing, automated mass payment solutions amongst other payment solutions.

AGENCY BANKING SOLUTIONS

Banks or micro-finance institutions want to adopt cost-effective yet lucrative strategies of reaching out to new or existing customers for multiple banking transactions, or enrolment, bringing financial services much closer to the people. The agency's banking solutions are custom-made to dovetail with client requirements and support both card-based and non-card transactions.

Tracom offers a POS based agency banking solution custom made to your requirements and supports both card based, and non-card and biometric transactions the solution allows clients to extend services to their customers and general public through appointed agents, bringing life to the meaning of financial inclusion for all.

Features:

- New customer onboarding
- Withdrawal/deposits
- Banking enquiries
- VAR services
- Tax collections
- Bill payment
- Bank instructions
- Biometric options

This includes the optional merchant acquiring applications supporting both card and mobile wallet services.

Tracom banking solutions meet the main requirements of the industry:

1. Speed of the transactions (a maximum of three seconds) – queue bursting applications;
2. The ability to conduct transactions with anybody, anywhere regardless of whether the client is using card, mobile, or web portal;
3. Convenience and ease of use;
4. Compliant of industry security standards;
5. Very high availability; and
6. Full scalability.

Tracom's pride lies in its expertise, knowledge, and ability to accompany institutions throughout their corporate growth process and provide a feature-rich agency banking environment where a lot that goes on in brick and mortar branches is made available at agent locations with the highest regard to security and reliability.

Not only does Tracom provide the agency application, but the company further offers deployment services, POS management services, maintenance, including:

- Ingenico POS terminals – Tracom is the certified Ingenico POS provider for the East Africa Region,
- Monitoring solutions to help clients manage terminals in the field,
- An Ingenico certified level 4 hardware centre to maintain and repair terminals. ❇

> Khartoum Stock Exchange: Technology-Powered Growth

سوق الخرطوم للأوراق المالية
KHARTOUM STOCK EXCHANGE

The Khartoum Stock Exchange (KSE) is the national stock exchange of the Sudan. It started operations in 1995 with 34 companies which had satisfied the requirements for obtaining a KSE listing. This figure has now gone to 68 listed public companies with a combined market value in excess of $5bn.

FACTS ABOUT SUDAN

Sudan is situated in northern Africa, with a coastline bordering the Red Sea. It sits at the crossroads of Sub-Saharan Africa and the Middle East, with fertile lands, abundant livestock, and manufacturing. These sectors presently contribute approximately 35-40% to the country's gross domestic product (GDP).

Sudan now recognises the need for greater attention to agriculture and livestock, as reflected in its Interim Poverty Reduction Strategy Paper (I-PRSP) and the five-year Programme for Economic Reforms approved by its parliament in December 2014.

Sudan has made notable progress towards macroeconomic stability and growth following the shock of South Sudan's secession five years ago. Over the past years, policy measures – including exchange rate adjustments, subsidy reform, and improved social safety nets – helped to contain the fiscal deficit, slow money growth, reduce inflation, and support economic recovery. Institutional reforms strengthened tax collections and public financial management, and social spending increased. Last year, the authorities started implementing a five-year reform plan for growth and poverty reduction, and good harvests boosted growth to close to 5%.

> "Sudan has made notable progress towards macroeconomic stability and growth following the shock of South Sudan's secession five years ago."

OVERVIEW OF KHARTOUM STOCK EXCHANGE

The Khartoum Stock Exchange has completed by the end of the year 2016, a period of 22 years which witnessed the march of the KSE through several stages and transitions. KSE has been set up in 1994 with technical assistance from the International Finance Corporation (IFC – a member of the World Bank group). Since 2007, the exchange is a full member of the African Market Union and features a secondary market alongside its main board. The KSE is the principal venue for the launch and trade of Sharia-compliant products such as Sukuk (bonds) and Musharaka certificates issued by the government of Sudan.

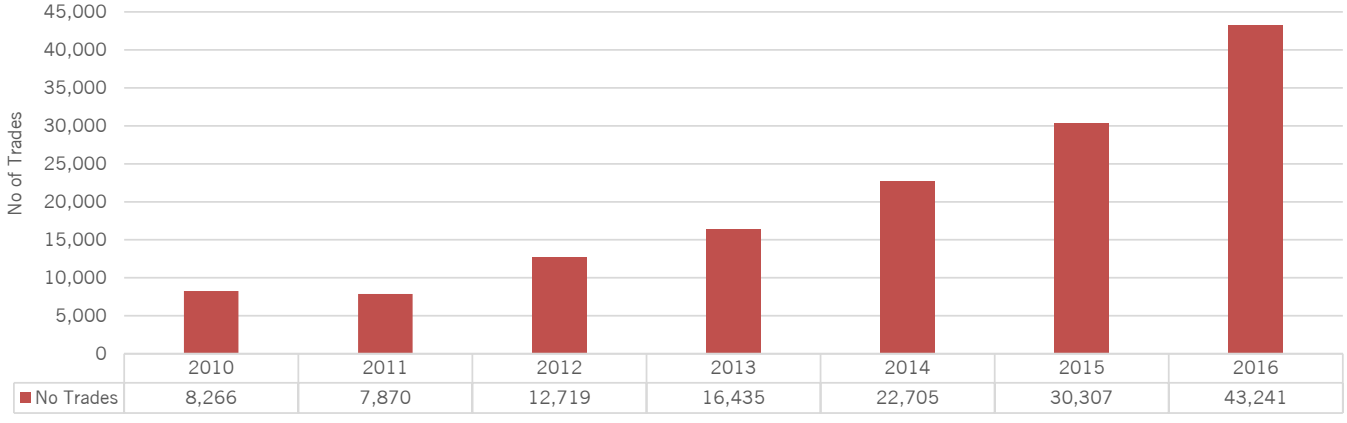
With a growing number of regional cross listings and cooperation protocols with sister exchanges in place, the KSE has solidified its position as a major trade hub. In 2011, the KSE joined the Association of Arab Stock Exchanges, paving the way for a growth in intraregional trade. That same year, the KSE embarked on a major expansion project to include electronic trading. Transaction volumes have increased steadily since.

With regular IPOs, the Khartoum Stock Exchange has enabled local businesses to raise capital and thus benefit from the economic upswing currently underway.

KSE STRUCTURE

KSE has a solid organisational structure that is composed of board of directors which oversees and governs the Executive management. The Executive management is comprised of three sectors – market and operations; marketing, research and media; and human resources, finance, and services sector. Each sector is headed by an assistant to the director general. Each of sector is made up of different executive departments (i.e. trading, central security depository, HR, finance, etc.) The Information Technology Department is directly subordinate to the director general.

KSE's current director general is Dr Azhari Eltayeb Elfaki who has been in charge since 2013. Dr Azhari's term has been recently extended for



Graph 1: Total number of Trades

another term running from February 2017 to 2020. It is expected that Dr Azhari will lead the progress of the KSE, allowing for a vibrant flow of financial resources, thus further fostering intra-regional business.

GROWTH

The Khartoum Stock Exchange plays a vital role in promoting the economic development of the Sudan as it attract domestic and foreign capital for investment in the national economy. The KSE has a significant involvement in mobilising domestic resources because it warrants fast liquidity for government issued Sukuk and government Musharaka certificates. Hence, it guarantees a high participation rate of investors in the IPOs of these financial products which are mainly used by the government for public development projects that enhance public revenue generation, and for investment in social services and infrastructure.

Over the past five years, the Khartoum Stock Exchange has adopted the use of the technology in order to keep pace with global developments and to create an expand its securities operations in order to meet the requirements of both local and foreign investors.

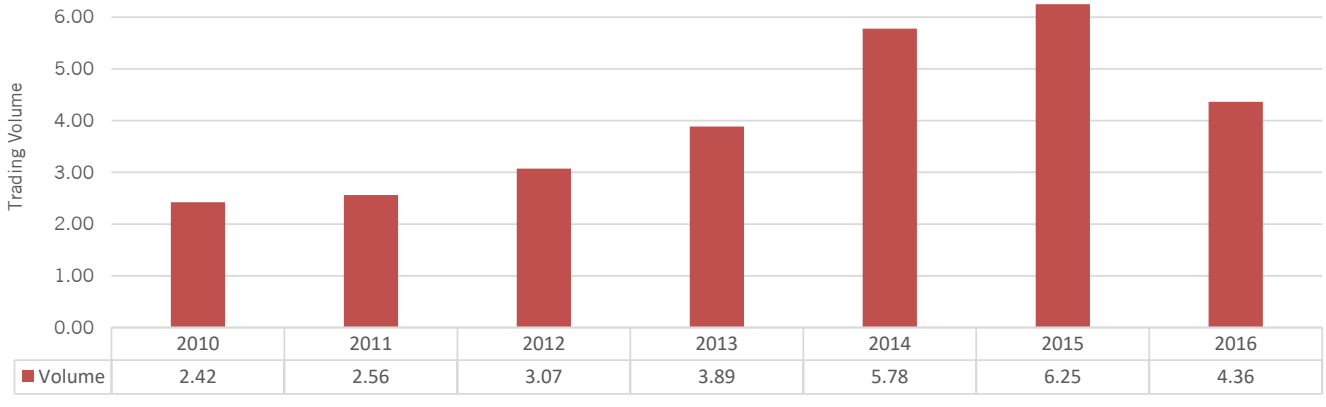
The KSE spared no efforts in creating the right climate in terms of regulation, policies and procedures, infrastructure, and staff capacity building. In 2011, the KSE has embarked on implementing its electronic trading system to meet the aspirations of both the domestic and foreign investors and to catch up with progress and civilisation. The implementation of the e-trading project has drastically improved the performance of stock market operations and has sustained monitoring and surveillance operations as well.

Graph 1 shows the growth of trades during the last seven years.

From the graph it is very clear that the number of trades performed has increased exponentially after the implementation of the e-trading platform until it reached a level that could have never been achieved by the manual system of operations.







Graph 2: KSE Trading Volume



"KSE completed the implementation of its e-trading platform in January 2012. The project has been initiated due to KSE's willingness to accomplish its vision of using the information technology tools to develop its business processes and to enhance the overall market efficiency."

The implementation of the e-trading platform has significantly enhanced overall market liquidity and hence the overall performance of the market. Graph 2 shows the improvement of the trading volume after running the e-trading platform.

According to the Arab stock markets performance report for the third quarter of 2016, issued by the Arab Monetary Fund, KSE was one of the best four Arab stock exchanges in terms of activity. The turnover of shares was 6% compared to 6.1% for the Egyptian Stock Exchange, 10.8% for the Dubai Financial Market, and 12.8% for the Saudi Stock Exchange. KSE has also attained a raise in the market value of the listed companies during the reported period.

TECHNOLOGICAL ARCHITECTURE

KSE completed the implementation of its e-trading platform in January 2012. The project has been initiated due to KSE's willingness to accomplish its vision of using the information technology tools to develop its business processes and to enhance the overall market efficiency.

The e-trading platform consists of a number of information systems such as brokers' trading applications and e-trading matching engine, central security depository system, clearing and settlement system, market control and surveillance systems, and the information repository.

The implementation of the e-trading platform has brought many benefits to the KSE including an improvement in trading performance, clearing and settlement operations, and overall market efficiency. In addition, it sustained the monitoring and control operations as well as increased market transparency and reliability.
The e-trading platform is operating in a modern ICT infrastructure that leverages cutting edge technologies. The KSE ICT infrastructure acts as the backbone for the all of the software applications that are used for automating KSE operations.

The KSE boasts a competent team of ICT experts for operating and developing all ICT projects and operations. The exchange also takes in consideration the development of its ICT team skills and competencies by conducting capacity building programs in order to keep the tech team up to the required technical and managerial standards.

TRANSPARENCY

Transparency and disclosure of information are of fundamental importance to the KSE. Therefore it's compulsory to all listed companies to disclose company information. In this regard, the board of directors issues regulation on transparency and the disclosure of information to enable the market play the role ascribed to it in this area.

CUSTOMER SATISFACTION

The KSE refers to customer satisfaction as the key indicator for customer perception results. The exchange understands that it is important to maintain customer loyalty and preserve customer value.

The KSE also understands the range of success drivers that influence its customers. It maintains and measures relevant areas of customer relationships. The KSE studies its customers' needs, loyalty, and values, and produces results that reflect an accurate and complete picture of the nature of the relationship – past, present, and future. These results are used as the basis for reviewing strategy, improving processes, and producing new products and services.

MANAGEMENT

Dr Azhari Eltayeb Elfaki is the director general of Khartoum Stock Exchange since February 2013. He has a PHD in Economy, and a Master in Economic Planning, in addition to a post graduate diploma in Statistics and Development and Planning.

Dr Azhari holds a certificate of Information Systems Management. He is also a certified EFQM assessor.

Prior to joining KSE, Dr Azhari held many positions, including assistant to the governor of the central bBank. He has worked in leadership positions at some of the largest Sudanese and regional banks and financial institutions. Dr Azhari also worked for the Ministry of Finance of Sudan and the Ministry of Economic Planning.

Dr Azhari was responsible for setting up the first gold refinery in Sudan and he supervised it until its opening. In addition to his work in leadership positions in Sudanese universities, and his membership in the boards of its secretaries, he supervised many university research projects and participated in many international and local conferences, workshops, and courses. He also has published a number of books, essays, and articles. ❇



Director General: Dr Azhari Eltayeb Elfaki

Ghana International Bank plc



Ghana International Bank Overview

About us - Ghanaian-owned bank based in the City of London

GHIB has over 50 years presence in the heart of the city of London, the world's leading financial centre. GHIB is unique in that it is a Ghanaian owned bank authorised by the UK Prudential Regulatory Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. We combine experience across the continent with international expertise and correspondent banking links to all the major global financial institutions.

GHIB focuses on four key areas: international trade finance, correspondent and corporate banking, treasury and transactional banking services. For organisations doing business in Africa the bank provides a gateway to the global financial system, providing access and expertise, capital and extensive cross border capabilities.

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> Tandem & Stark:

Key to Managing African Construction Projects

TANDEM & STARK
CONSTRUCTION COST CONSULTANTS

For the past sixteen years, Tandem & Stark has been a key player on the African construction scene maintaining a sharp focus on quality project cost management and on providing quantity surveying services to both public and private sectors.

Structuring and managing cost is of paramount importance to any successful undertaking. Complex projects in dynamic markets depend on cost engineering and consultancy to move from blueprint to greenfield. Boasting a wealth of experience in the construction industry, Tandem & Stark has helped clients throughout East and Central Africa manage cost. The company has accumulated an exceptionally strong portfolio of projects it helped realise via the control and rationalisation of cost structures.

Tandem & Stark is not only called on to lend its expertise during the design and construction phases, but also facilitates post-delivery outfitting and maintenance work. The firm deploys a full array of advanced systems and processes to offer bespoke solutions that enhance cost efficiency and ensure adherence to pre-set timelines.

Tandem & Stark takes the guesswork out of project management and thereby increases long-term profitability. The firm provides its clients with a holistic approach to both the pre- and post-contract stages that includes, amongst others, feasibility studies, cash flow projections, cost planning and control, tendering procedures, project evaluations, and financial appraisals.

BUSINESS STRATEGY

Tandem & Stark has been an important instrument to many local governments and businesses in Africa. The firm continues to follow its current corporate strategy, supporting governments and related companies, and participating in eligible construction projects.

Counting on a team of seasoned professionals, Tandem & Stark has become an integral part of Africa's construction operations, as the company offers peerless cost management and quantity surveying services. The firm has always been dedicated to answering its customers' needs by carefully analysing objectives and designing a path towards high-quality tailormade solutions that enable goals to be met or exceeded.

> "In a highly competitive market, Tandem & Stark has managed to stand out from the crowd because of its distinct approach – being flexible and adaptable enough to understand the needs of its clients."

In a highly competitive market, Tandem & Stark has managed to stand out from the crowd because of its distinct approach – being flexible and adaptable enough to understand the needs of its clients. "The thrust of our strategy is technology. It allows us to do things differently and more effectively," says Timothy Manyuira, Tandem & Stark's managing director and principal quantity surveyor.

The rigorous approach followed by Tandem & Stark, which includes not just state-of-the-art technology but also vast reservoirs of in-house engineering expertise, has also helped raise the standard of living of Africans. Whilst technology is arguably replicable, such that others can build it, this is mitigated by understanding its rarity, inimitability, and non- substitutability.

"Firstly, Tandem and Stark's technology is rare because other quantity surveying firms are averse to greater technology use and efforts to develop, and that by inference makes it non-substitutable," says Felix Lati, managing partner at Lexicon+Ion Architects.

Wrigley East Africa

Relocation from existing facilities to a new greenfield site which will centralise the company's operations in the region. The new facilities comprise a 11,000m^2 production building, a 3,000m^2 administration building, and a 1,500m^2 central utility building in addition to various civil and associated ancillary works.

Services Provided include project costs and contract management services which involved:

- Preparing cost plans, estimates, and cashflow projections;
- Advising on procurement strategies;
- Preparation of bills of quantities, collating, and issuing tender documentation; and
- Preparation of contract documents.

ORIGINS

Tandem & Stark was founded by Timothy Manyuira. Its team understands Africa's construction industry business inside-out. Since its inception, the firm has managed to contribute more than its fair share to the improvement of the quality of life not only in Kenya – where the firm bases its operations – but also throughout Africa.

The outlook for Tandem & Stark is very promising given the fact that the company continues to fully adhere to its vision and objectives which lay at the root of the firm's excellent performance over the past fifteen years.

Tandem & Stark remains aware of the constant challenges presented by the global economy. The firm is always on the lookout for new opportunities that might emerge. By offering comprehensive solutions rooted in its experience as a one-stop provider of

> "The firm deploys a full array of advanced systems and processes to offer bespoke solutions that enhance cost efficiency and ensure adherence to pre-set timelines."



project cost/contract management consultancy services, Tandem & Stark manages to save its clients both money and aggravation. As such, the company's services are of inestimable value to any undertaking. ❊

Alexander Forbes Pension Fund in Kitengela, Kenya

When completed, The Riverine will be a gated community of 151 fully detached 4-bedroom own-compound town houses and 60 apartments (48 3-bedroom units and 12 2-bedroom units) set on a 30-acre prime piece of land along the Nairobi-Namanga Highway.

Services provided include project costs and contract management which involved:

- Defining the project budgets;
- Undertaking risk and value management exercises;
- Preparing cost plans, estimates and cashflow projections;
- Advising on procurement strategies;
- Preparation of bills of quantities, collating, and issuing tender documentation;
- Preparation of contract documents;
- Cost management during the construction process;
- Dispute management when required;
- Preparing regular cost reports including out-turn cost and cashflow; and
- Completing the final account.

Nairobi Hospital Masterplan Expansion

Developers' objective is the expansion of the existing health facilities to increase capacity and introduce new specialist health service centres. This will involve construction of a new community hospital with associated support services.

Services provided project costs and contract management which involved:

- Defining the project budgets;
- Undertaking risk and value management exercises;
- Preparing cost plans, estimates, and cash flow projections;
- Advising on procurement strategies;
- Preparation of bills of quantities, collating, and issuing tender documentation;
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- Cost management during the construction process;
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- Preparing regular cost reports including out-turn cost and cashflow; and
- Completing the final account.

> KeaObaka Mahuma, Barclays Africa:

Leveraging Corporate Supply Chains to Stimulate Entrepreneurship

Entrepreneurship is widely recognised as one of the key contributors of economic and social development. In Africa, entrepreneurship is represented mainly through small and medium enterprises (SMEs).

According to the International Finance Corporation (IFC)[1], formal SMEs in developing countries contribute up to 45% of employment and up to 33% of GDP. In contrast, SMEs in developed countries contribute nearly 64% to the GDP and 62% to employment – indicating the potential of SMEs in developing countries to grow and stimulate economic growth and contribute towards job creation.

The literature on the challenges that hamper SME growth is prolific and has been covered by many research papers. The broad consensus on the subject identifies the following factors as the major barriers to growth for SMEs in developing economies: access to finance; access to domestic and international markets; limited financial and business management skills; stunted innovation; and the regulatory environment. To be clear, there are other factors such as inadequate infrastructure, corruption, lack of skills, social perceptions on the security of employment versus entrepreneurship, as well as inefficient bureaucracy.

Given the significance of their role in the development of the continent, it is in corporate Africa's best interest to support SMEs to overcome some of the barriers to sustainable growth. Whilst it may not be possible for corporates to solve all these challenges, there exists an opportunity to provide solutions that will significantly impact SME development on the continent, specifically, in the areas of access to markets, enabling access to finance, and providing business development support.

DELIVERING ACCESS TO MARKETS

The first and often most lamented barrier is access to credible markets. To support SMEs to gain access to markets, large corporates must get involved. One of the ways to do this is for corproates to make conscious decisions to localize procurement of some of the goods and services that they require.

In the African context there is considerable development impact to be gained from localizing procurement. Yes, it is true that a vast array of

"Given the significance of their role in the development of the continent, it is in corporate Africa's best interest to support SMEs to overcome some of the barriers to sustainable growth."

procurement challenges and constraints face the corporate buyer when identifying and locating suitable suppliers. These include concerns with the SME's inability to deliver on contracts due to capacity constraints, underdeveloped networks, insufficient working capital – to name but a few.

It is also true, however, that the development of the African economy demands that we wade in to address and get past these challenges.

It may be difficult for corporates to find "perfect-fit" suppliers in many parts of the continent, South Africa included. At best corporates may initially have to adopt a "closest-match" approach, which must be propped up by extensive business development support. Success, therefore, requires the will of large buying organisations to substantially adapt their organisations' procurement strategies, and open up their supply chains to local suppliers and contractors. This has the potential to increase local entrepreneurial activity and enable more sustainable enterprises to be absorbed into the mainstream economy.

There are, of course, a few practical ways to get corporates to contribute to SME development. In addition to access to finance, they should consider making their procurement processes transparent and easily accessible to SMEs.

IMPROVING SME ACCESS TO FINANCE

For many SMEs who do not have the balance sheet or ability to provide collateral, access to traditional finance will remain a challenge, One of the ways corporates can assist is to ensure that the offtake agreements that they give to these SMEs enable financiers to determine affordability and the certainty of the cash flows – in this way making it possible for financiers to provide funding to such SMEs.

CAPABILITY BUILDING THROUGH BUSINESS DEVELOPMENT SUPPORT

Corporates, alongside other partners, can play a role in building the capacity of the SMEs in their supply chains, to ensure that delivery, quality and consistency are at the required levels. Such interventions can include technical and operational support, training, mentoring, advisory, and information. Investing in entrepreneurship support can no longer be viewed as a corporate social responsibility. Its sustainable social and economic impact far outweighs any financial commitment made possible through philanthropic budgets.

Supporting entrepreneurship through supply chains delivers material benefits to local economic reform and is therefore good business. ❇

[1] *Scaling Up SME Access to Financial Services in the Developing World, 2010.*

ABOUT THE AUTHOR

KeaObaka Mahuma is head of Enterprise and Supply Chain Development at Barclays Africa.



Author: KeaObaka Mahuma

> Simon Bloom, Family Office Consultant:

The Price of Happiness



There are people who have money, and then there are people who are rich. That was the observation of Parisian fashion designer Coco Chanel, herself no stranger to living a life of luxury and a lady who appreciated that material wealth does not necessarily equate to personal fulfilment.

Ms Chanel was fortunate enough to have built a fashion empire that not only brought her significant wealth but also offered a creative outlet and recognition, respect, and value beyond money alone.

HIERARCHY OF NEEDS

Back in 1943, psychologist Abraham Maslow identified in his hierarchy of needs the fundamental factors which most humans must attain to achieve self-fulfilment. At its most fundamental, humans need air, water, and food to meet the physiological needs. Next comes safety – a secure environment to live in. The third factor is love and belonging; to feel part of a family and a social structure, building long-term meaningful relationships. Next is self-esteem. This comes from doing an enjoyable activity or job, building a family, or spending time in a way that reinforces a sense of self-worth.

Once these elements are met a person can usually achieve self-actualisation, i.e. to be everything they can be and fulfil their true potential.

Clearly money is critical in meeting the physiological needs and it goes some way to securing safety. But after this point, financial gain often contributes less and less to a person's overall happiness. Indeed, there comes a point where money may start to diminish overall happiness.

THE LIMITS OF WEALTH

Malcolm Gladwell identified this phenomenon in his book David and Goliath: Underdogs Misfits and the Art of Battling Giants in which he understood the limits of money in achieving happiness. Mr Gladwell illustrated money's impact on happiness by plotting a graph. Initially, wealth and happiness increase in tandem. However, at a certain point – which Mr Gladwell placed around the $70,000-dollar mark – the impact wealth has on happiness begins to wane.

Many studies have borne out this phenomenon, with salaries at around £100,000 in the UK shown to be the happiness tipping point. This concept may seem a little perverse: if £100,000 can make a person happy then surely double, triple, quadruple that amount would equate to an equivalent increase in personal well-being.

But the truth is once you own a car of a "reasonable" standard, have a decent house, and can dine out regularly and embark on foreign holiday trips, those needs have been met.

Buying a slightly better car only brings greater happiness if you truly love the new car. If the purchase is a mere status symbol, the car represents a material rather than emotional gain.

At the same time, money cannot resolve familial or social problems. Throwing money at a spouse will unlikely counteract underlying marital difficulties and may even make things worse.

Money potentially attracts "hangers on" and "yes men" keen to share in the spoils leaving the super wealthy hollow and without reliable affirmation of their genuine worth. So, the further we move up Maslow's hierarchy of needs the less relevant money becomes in achieving happiness.

PROBLEM CHILDREN

Not only is money unable to solve problems it can actually create them. Nowhere is this more obvious than with parenting.

Initially, additional wealth makes parenting easier. A healthy income paves the way to private education, in supporting children in their goals and aims, and give them a rounded and comfortable childhood. Yet, past a certain income parenting starts to get especially complex.

The children of wealthy parents may have a sense of entitlement. They have been born into the lap of luxury and sometimes show little appreciation of what it takes to build up a fortune.

In addition their understanding of the value of money is perhaps skewed. They are often used to a lifestyle funded by a five-figure allowance. This makes it almost impossible to attain the same level of income through their own volition, when starting their careers.

Moving from university into a salaried job is hard enough today, let alone securing one that pays enough to match the lifestyle to which they are likely accustomed.

This saps the wealthy offspring's motivation to go their own way, leading to a lack of self-esteem and ultimately an unhappy life.

Research by psychologist Dr Saniya Luthar shows children of the super-rich are more likely to develop depression, take drugs and commit crime than their modestly well off counterparts. Meanwhile a survey of 120 individuals with a net worth of more than $25m, conducted by the Gates Foundation, found respondents believed money gave their children a "perverted sense of the world" or could prevent them from developing empathy. So for the super wealthy parent, raising well-adjusted children is incredibly challenging.

THE GENERATIONAL WEALTH TRAP

These challenges are particularly problematic for parents who want to pass a successful family business to their children. Will their offspring be equipped and motivated to take on the challenge adequately?

Just 30% of family businesses survive second generation ownership and that figure decreases dramatically to just 3% once the third generation takes hold. In my book Passing the Buck: How to Avoid the Third Generation Wealth Trap, this phenomenon is explained and it discusses ways in which the family business can survive a succession.

Invariably the solution comes back to Mr Maslow's hierarchy of needs and looking beyond money to achieve happiness. Some of the world's richest individuals – Microsoft founder Bill Gates and Warren Buffett for example – have used their wealth for philanthropic purposes. Mr Gates famously said he will leave his multi-billion dollar fortune to charity rather than his children. Instead he has limited his expenditure to paying for his children's education in the hope it will kick-start their own careers.

Speaking on UK television in 2016, Mr Gates said: "It's not a favour to kids to have them have huge sums of wealth. It distorts anything they might do." Not only can Mr Gates improve his children's chances of happiness by giving them their own self-worth, he can achieve more self-fulfilment through his own charitable work.

Significant wealth used skilfully produces a life of riches, pleasure, and extraordinary accomplishment. Used unskilfully it often produces the opposite.



ABOUT THE AUTHOR

Simon Bloom is an author, a family enterprise consultant and CEO and founder of Simon Bloom Consultancy. He works with family enterprises to help multi-generational families with the organisational, relational, and personal aspects of their lives. ❊

> African Risk Capacity (ARC):

Towards Resilience: Africa Takes Disaster Management into Its Own Hands

African Risk Capacity (ARC) has been named by CFI.co, for the second year running, as the most innovative environmental, social, and governance risk protection provider in Africa, in recognition of its dedication to technological and financial innovation, and its contribution to capacity building on the continent.

ARC provides a platform for African governments to proactively contain the impact of natural disasters by prioritising the resilience of households.

Set up in 2012, ARC is a public-private partnership that comprises an international organisation (ARC Agency – a specialised agency of the African Union); and its financial affiliate the African Risk Capacity Insurance Company Limited (ARC Ltd) – an insurance mutual. Any African government can join ARC by paying an annual premium to insure a portion of its disaster risk and linking this to a predefined contingency plan.

Entering its fourth year, ARC has increased its total insurance pay-outs to countries impacted by disaster to $34.4m. The company paid out $8.1m to the Malawian government after the country was struck by drought last year, having previously paid $26.3m to Senegal, Mauritania, and Niger in early 2015 after drought impacted parts of the Sahel. These pay-outs have helped support more than two million people through food distribution and cash transfers as well as 900,000 livestock, thus boosting households' resilience.

In addition to drought insurance, ARC has also expanded its offerings to provide cyclone insurance.

Last year, natural disasters caused an estimated $175bn in economic damage worldwide and killed around 8,700 people (according to re-insurer Munich Re). Every year, catastrophes cause on average circa $154bn in damage and 60,600 fatalities with many more lives affected.

However, the impact of disasters is not proportionate in developed and developing countries partly because in many of the poorest parts of the world, extreme weather poses a greater threat to both the lives and the economic and environmental foundations of entire communities.

Disasters in low-income countries can undermine overall economic growth and development and hit the agriculture sector particularly hard. With over half of its labour force involved in agriculture, Africa has especially suffered from the impact of droughts, floods, and cyclones.

> "One dollar spent on early intervention through ARC saves four and a half dollars spent after a crisis is allowed to evolve."

Director of Development Planning for The Gambia Alagie Fadera notes that most Gambians are involved in agriculture and therefore subject to the vagaries of weather and climate: "The Gambia's rainfall pattern has been very erratic. That feeds into our GDP growth. Heavy rains causes GDP to contract which sends people into poverty."

ARC INSURANCE PAYOUTS

$34.4 million in payouts

4 African countries

2 million+ people supported

900,000 livestock

In the wake of a big natural catastrophe, families can resort to cutting nutritional intake, pulling their children out of school, and selling off key assets such as livestock. In dire cases, affected communities can be forced to migrate.

At a national level, governments are forced to reallocate scarce budgetary resources away from critical infrastructure and social investments to support the affected populations or wait on humanitarian aid which typically takes months to flow to the affected communities and can be uncertain in quantity.

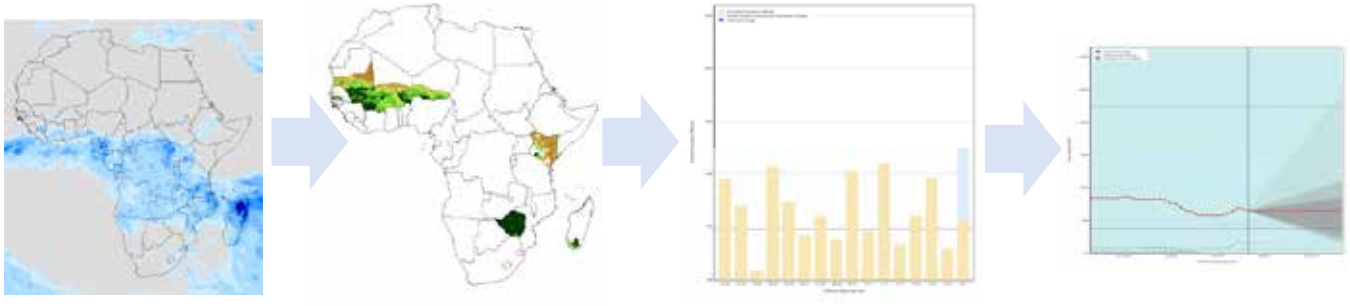
Discussing Senegal's drought in 2011 before it joined ARC, Mamadou Moustapha Ba, director of Economy and Financial Development Cooperation, notes that an almost 40% percent fall in crop production had badly impacted economic growth. While the government had managed to raise $70m, it was not without some major challenges: "Firstly, the money came too late. Secondly, it was only [raised] through budget reallocation which in the middle of the financial year is very difficult. We had to make cuts to health and education," Mr Ba explained.

In light of climate change and competing demands on humanitarian aid, a growing number of governments are making financial resilience and ex-ante planning a priority. Governments are aiming to secure access to rapid financing to address emergency response which helps smooth the budget volatility associated with post-disaster expenditures.

ARC was created with just such an aim and countries which have joined the risk pool are calling on others across Africa to participate. "There have really been a lot of benefits for us since Senegal signed up and we believe it is an opportunity for all African countries to sign up for an insurance policy," says Mr Ba.

Mauritania's Minister Delegate to the Minister of Economy and Finance for the Budget Mohamed Ould Kembe reiterated his call: "The tactical solution to the problem of natural disasters is actually insurance. You need to join ARC. You have to have faith in this tool which is incredibly important."

The insurance provided by ARC is parametric which means it is based on a risk model's estimate of losses rather than actual losses which allows the pay-out to be triggered rapidly after a disaster hits. The speed of the pay-out and the certainty of financial liquidity have efficiency benefits as vulnerable populations do not have to resort to negative coping skills. An independent study showed that one dollar spent on early intervention through ARC saves four and a half dollars spent after a crisis is allowed to evolve.

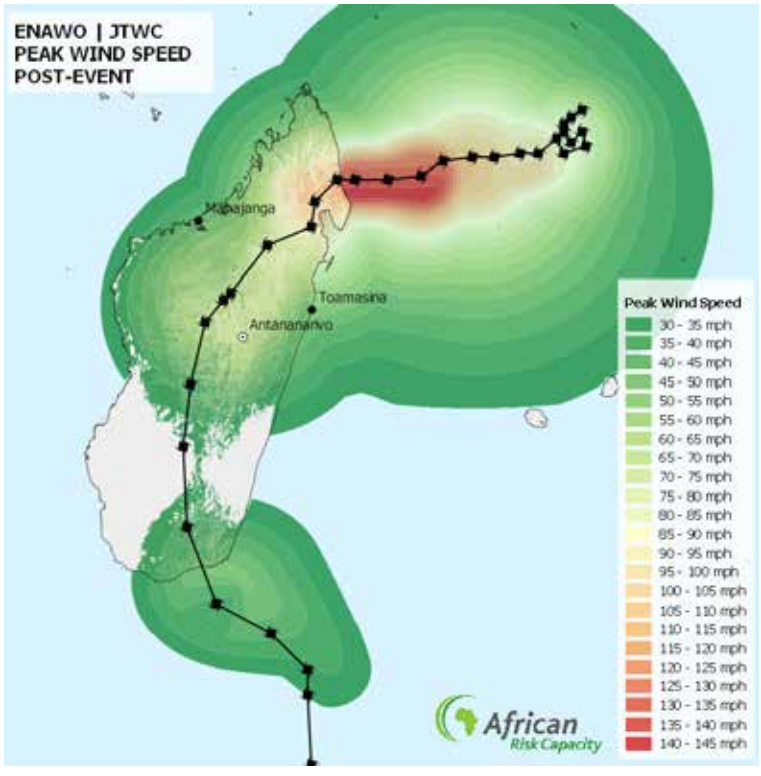


Rainfall | Drought index | Estimated historic affected population | Cost of responding to drought

ARC's drought model in *Africa RiskView* converts rainfall data into drought information which is used to produce an estimated number of people affected by a drought and from that estimates the cost of responding to a drought based on the model.



Tropical Cyclone Enawo hit Madagascar in March 2017. ARC's cyclone model produced a wind speed footprint of the storm (right).



"ARC's state-of-the-art modelling platform, *Africa RiskView*, uses satellite data to model a country's drought and cyclone risk and will soon have a river flood risk component added. Governments work with ARC to customise the model to best represent their country's unique risk profile."

ARC's state-of-the-art modelling platform, *Africa RiskView*, uses satellite data to model a country's drought and cyclone risk and will soon have a river flood risk component added. Governments work with ARC to customise the model to best represent their country's unique risk profile. This customisation process allows a country to quantify its exposure to disaster risk – a critical first step in disaster management. Secondly, the model has an early warning system so governments can track a disaster in real-time as it occurs and start planning early.

Countries joining ARC become effective owners of the company and drive high level strategic decisions. They also benefit from lower insurance prices as more countries with diverse risk profiles join the risk pool and can access private insurance and capital markets at competitive terms given that ARC transfers a portion of its risk to the reinsurance market.

However, insurance is just one of the tools available for managing climate and weather risk and the concept still has a way to go. The so-called protection gap, the proportion of economic losses from natural disasters that is insured, was just 30% last year with insurance penetration at a much lower level in Africa.

Dolika Banda, a renowned Zambian, appointed to the helm of ARC's insurance company arm in September 2016, says: "ARC is a first step towards narrowing this gap in Africa, allowing African governments to proactively take disaster risk management into their own hands and to build the continent's resilience." ❇

> CFI.co Meets the CEO of ARC Ltd:

Dolika Banda

African Risk Capacity Insurance Company Limited appointed a new chief executive officer in September 2016 to lead the insurance mutual in its next phase of growth across Africa.

"I am both honoured and proud to steer alongside Ngozi Okonjo-Iweala and Lars Thunell, the co-chairs of ARC and known game-changers in the drive for a better Africa for all," says Dolika Banda of the opportunity to lead ARC.

Ms Banda, a well-known Zambian in the world of development and finance, was chosen for the role due to her 25 years of international banking and financial management experience and her extensive work on economic development in Sub-Saharan Africa, for which Ms. Banda has a strong passion.

She began her career in the Zambian banking sector, holding senior positions at Barclays and Citibank. She then relocated to Washington DC to take up a position with the World Bank Group's International Finance Corporation (IFC) where she would continue working for more than sixteen years within the financial markets, credit, accounting, and treasury departments. Quickly climbing the ranks within the institution, Ms Banda become regional director of Financial Markets, managing activities across Sub-Saharan Africa as well as Latin America and the Caribbean.

"But after many years working across the globe, Africa was beckoning and I decided to return. If you are not part of the solution, you are part of the problem. Every time I was on African soil, I yearned to be part of the solution. There is so much to do for so many on this continent and yet such few capable hands with which to get the job done."

In 2013, Ms Banda moved back to Zambia to begin a new chapter of her life, speaking out on financial inclusion, broad-based mentoring, and the need for public and private sector leadership that embraces vision, strategy, preservation, and integrity at the national level. In addition to a short contract as regional director for Africa at the UK's Commonwealth Development Corporation (CDC), she joined the boards of several African and development-focused companies such as Ecobank Transnational Incorporated, Harith General Partners, and the UK DFID's Financial Sector Deepening Africa and Zambia.

It was in 2016 that Ms Banda was head-hunted to lead ARC, an insurance mutual which provides parametric disaster insurance to African governments in coordination with ARC Agency, a specialised agency of the African Union.



CEO: Dolika Banda

Since joining ARC, Ms Banda has been driving its transition from start-up to fully-fledged institution, collaborating with ARC Agency to establish the group's next growth phase. Her first months at ARC have been challenging, requiring high level marketing of the organisation and a whirlwind tour of its member states as well as long-term strategizing on optimising the company's impact on the continent.

"I want to acknowledge my colleagues, Mohamed Beavogui and Simon Young who have been critical to driving ARC, and to thank BMZ through KfW, UK's DFID, and the African member states for taking up the mantle to support."

"I am confident that together we will achieve our goal of expanding ARC across the continent, with the aim of efficiently managing $2bn in climate risk by 2020 and protecting more than 150 million vulnerable people."

Ms Banda has risen to this challenge and is already making in-roads to cement ARC as a critical tool in Africa's management of disaster risk. Her natural leadership skills, deep understanding of the continent and passion for its development have made her a vital asset to ARC and the realisation of its goal of growing its membership to cover as many countries as possible with disaster risk thus helping vulnerable Africans to quickly rebound after disaster has struck.

Asked to share her vision, Ms Banda does not hesitate to respond: "I do not have the luxury of choice. ARC embodies all that I have been speaking out on regarding the continent's growth and long-term survival: a public-private partnership focused on vision, strategy, and integrity aimed at facilitating economic development in Africa and empowering African governments to proactively protect our population and our natural beauty. In the words of Keats, the poetry of earth is never dead." ❊

> Morocco:
Free Zones Offer Window on Europe

By Hal Williams



Morocco: Rabat

Whilst most of the world's monarchs have a limited role in the financial development of their countries, the same cannot be said of Morocco's King Mohammed VI.

M6, as he is colloquially and affectionately known to many of his subjects, is a go-ahead, hands-on kind of ruler with a reputation for random acts of generosity and a nose for astute investment. In the mid-1990s, he proposed the establishment of Free Zones in Morocco, and, in 1999, the first one came into being. Mohammed VI himself donated 300 hectares of land in Tangier to give the then embryonic project the necessary boost it required to get moving.

The aim was to attract foreign investment to Morocco, provide local employment, and add a dynamic element to the North African kingdom's international business profile, explains Olivier Gattel, CEO and founder of IGC Consulting. His private firm is one of the main points of entry for international investors, having been literally "in the zone" since the project's inception.

"The idea [of the zones] was to attract the automotive and aerospace industries to Morocco," says Mr Gattel from his swish third-floor office suite inside Export Zone of Tangier – one of five free zones operating in the greater city area.

That bid has succeeded, with Renault occupying the entirety of one of the zones – Parc Meloussa – to manufacture its vehicles. Fellow French automotive giant, the Citroen-PSA group, is represented in another of the industrial parks, mainly for the manufacture of wiring looms and components. But it isn't just the motoring and aeronautics industries benefitting from the five-year tax-free status.

The traditional textile industry is well represented, mainly for car upholstery and furnishings, as are electronics, and there is large-scale manufacture of products such as composite piping.

Tangier is a mere fourteen kilometres from Europe, and home to the biggest and deepest port on the African continent. Ships and containers heading eastward to Europe via the Strait of Gibraltar are obliged by maritime law to hug the Moroccan coastline before doing a U-turn and nipping back to Algeciras in Spain. Morocco, ever quick to recognise an opportunity, craftily situated Tangier Med – that port of biggest-and-deepest fame – just before the turning point to Algeciras, and Europe.

> "Companies are exempt from taxes on dividends, partnership shares, and corporate tax for the first five years, followed by a reduced rate of 8.75% for the next fifteen years."

While Moroccans living abroad can take advantage of the tax benefits, their compatriots living in their home country cannot – but the perks for international investors keen to gain a toe-hold on African soil via the free zones are many, and tempting.

Companies are exempt from taxes on dividends, partnership shares, and corporate tax for the first five years, followed by a reduced rate of 8.75% for the next fifteen years. The exemption extends to all registration taxes and stamp duties, services, and value-added tax. The repatriation of foreign earnings is also tax-free and foreign companies can apply for subsidies from the Moroccan government in the form of financial assistance for the acquisition of land and construction.

The zones are jointly controlled by Tangier Mediterranean Special Agency (TMSA) - a go-between organisation representing the state in the construction, maintenance, commercialisation, development, and promotion of the free zones.

The zones provide employment for about 47,000 workers. With earnings at a rough average of €250 a month per 44-hour working week, the sweat from those brows plays a leading role in the success story. Low-cost labour is – has been and probably always will be – a major consideration for foreign investors bent on manufacturing. With turnover almost tripling since the first zone was established, it's a factor worthy of consideration. Mr Gattel insists this isn't exploitation. Instead, he says, living costs in Morocco are simply lower.

"Romania used to be the low-cost employment option before its absorption into the EU," he explains, flanked in his office by the flags of Morocco, France, and Europe. "Now, it is Morocco."

The first four years were rough ones for the zone pioneers, but international users of the free zones have invested more than one billion euros over the years. The zones have acquired more surface area, now jointly comprising about 350 hectares. Rental, lease, or purchase of lots and facilities is possible, with industries grouped into generic suburbs of zones, where possible, for reasons both logistical and logical.

Mr Gattel, a native of Savoie, has been in his consulting role for twelve years and says the zone was the prototype for a burgeoning programme. The Export Zone of Tangier is well situated, flanking the international airport and looking out across the Strait of Gibraltar which gave Morocco its strategic position in the shipping routes.

The free zones are counted as international territory. There are customs offices at entry and exit points, though foot traffic passes without unnecessary hindrance. Within the Tangier Free Zone, there are shiny, modern office blocks of black and silver, all tinted windows and grand entrances, just metres from the form-follows-function slab sides of warehouses and factories.

Mr Gattel owns a local business centre and offers consulting services and advice as well as offices for rent. He schmoozes with ambassadors who are keen to keep a finger on this pulse of Morocco's financial heartbeat. "The British, French, Spanish ambassadors – they have all visited to find out more," he says, adding tongue-in-cheek: "It's nice here. A good standard of living, good weather, great views. And it's 14 kilometres to Europe as the crow flies. ❇

> Barclays Africa Group:

Striving to Be the Bank of Choice in Africa

Barclays Africa Group Limited (Barclays Africa), listed on the Johannesburg Securities Exchange, is one of Africa's largest financial services groups. It is a uniquely positioned world class, fully regional, and fully local bank. Absa Bank Limited (Absa Bank) is a wholly-owned subsidiary of Barclays Africa.

The group was formed through combining Absa Group Limited and Barclays' African operations on 31 July 2013. Reflecting the enlarged group's Pan-African focus, the name changed from Absa Group Limited to Barclays Africa Group Limited on 2 August 2013.

The group operates in 12 countries with about 40 000 permanent employees and serves more than 12-million customers. Its registered head office is in Johannesburg, South Africa, and the group has majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Barclays Bank Tanzania and National Bank of Commerce), Uganda, and Zambia. It also has representative offices in Namibia and Nigeria as well as insurance operations in Botswana, Mozambique, Kenya, South Africa, and Zambia. Barclays Bank Kenya and Barclays Bank Botswana continue to be listed on their respective stock exchanges.



Head of Business Banking (Segments) - Brienne van der Walt: "We do not just lend money to people; we can help them with almost any aspect of their business, from financial management to human resources and marketing."

Barclays Africa is a diversified financial services provider, offering an integrated set of products and services across personal and business banking, credit cards, corporate and investment banking, wealth and investment management, and insurance. It has grown into a leading financial services group in its chosen countries in Africa and selected customer and client segments. It combines its global product knowledge with regional expertise and its extensive, well established local presence.

The group is strongly positioned as a fully local bank with regional and international expertise and aspires to build the leading financial services group in its chosen countries in Africa and selected customer and client segments, and to remain locally relevant and competitive in all its presence countries. Its strategy is focused on the opportunity for growth and takes into account the matters it believes are material to its long-term sustainability. It remains responsive to the needs of its key stakeholders in achieving its goals and retains flexibility in executing its strategy, taking into consideration prevailing economic conditions and future opportunities.

BUILDING THE BANKING DESTINATION OF CHOICE FOR BUSINESS IN AFRICA

The group's goal is to build not only a sustainable, trustworthy business, but a business which customers and clients consider as the first choice for answers and solutions – and to help them prosper. About three years ago, the group increased strategic emphasis on its Business Banking offering. Today it has seen continuous progress in Business Banking, as it strives to achieve its ambition of being a leading bank for trade businesses in Africa. This has been possible because it puts the customer at the centre of all it does.

This is why the group continues to uniquely position itself to be able to leverage these exciting opportunities across the continent for the benefit of its customers. Key to its success and managing its dynamic Business Banking franchises across the continent is the support of its dedicated staff that has a passion for relationship building and service excellence.

In their adjudication when awarding Absa the "Best SME Bank in 2015" accolade, judges emphasised that Absa aimed to empower entrepreneurs with more than just credit. The judges also specifically highlighted Absa's nationwide network of seven enterprise development centres as another key component in enabling SMEs. In conferring the bank the "2016 Best SME Banking Partner" award, the judges again commended the group on its proactive approach to helping small businesses succeed and prosper.

The panel noted that the bank: "… has long assumed a leadership role in championing the cause of small businesses, providing support and helping improve both efficiencies and economies of scale. The group maintains a range of initiatives that aim to empower business owners via learning programmes and networks that facilitate access to markets, amongst others".



Barclays Africa Broup

This is an observation that Brienne van der Walt, Head of Business Banking Segments, agrees with. "SMEs are close to our heart," he says: "We do not just lend money to people; we also have strong partnership networks where smaller start-up businesses can get assistance on their broader business challenges." He says the bank is quite passionate in maintaining and expanding Absa Bank's long-standing leadership role as the bank of choice for start-ups and micro, small, and medium-sized business in South Africa across a variety of sectors, including agribusiness, franchising and wholesale and retail.

Mr Van Der Walt explains that the market may be divided into four distinct segments, each facing both unique needs and challenges. The lion's share of that market is taken up by medium-sized businesses that are firmly established: "For many decades, these have been the companies we focus on: businesses with an annual turnover anywhere from R10-million to R500-million. They often need assistance to break out and embark on a trajectory of sustainable growth."

Smaller businesses, likewise boasting a solid track record, may also count on Absa Bank to provide the wherewithal and expertise necessary for growth: "These businesses are often run out of domestic premises and attain an annual turnover of between R1-million and R10-million. Not all of them are keen to pursue growth. In fact, only about twenty percent actively seek help to expand their business."

That help is available at the seven Enterprise Development Centres maintained by Absa Bank throughout South Africa. "It is here that emerging business can find the tools and knowhow needed for success. At the centres, our professionals are able to help smaller businesses plug into the value chains of our larger clients. Providing such linkages is an essential part of our business as a bank."

Apart from providing financing for small businesses, the bank also has a range of other business development support initiatives that existing or would-be business owners can tap into. The Enterprise Development Centres are a case in point, as they were established with the aim to encourage the development of small businesses across a wide spectrum of sectors, such as real estate development, agribusiness, and franchising.

A unique feature of these centres is that SMEs have access to Absa's procurement portal, which is a virtual marketplace that links SME suppliers with blue-chip companies and government bodies, to encourage corporates to buy more services and products from small and medium-sized enterprises.

In 2016 Absa also launched *Instant Business*, an online platform which allows anyone to simultaneously open a business account and register their new company from any location at any time without the hassle of having to queue in a branch. Again, this is one way that the bank is trying to make it easier for SMEs to prosper.

Such initiatives stem from the bank's acknowledgement that the small business sector in particular requires the group to play a meaningful role by supporting entrepreneurs beyond just their financial needs. One of the largest obstacles facing small businesses is not financial, but access to markets. The ability to penetrate existing markets, or create new ones, is the difficulty SMEs face when having to compete with established businesses.

These initiatives form part of the bank's Shared Growth strategy announced in July 2016, through which the group aims to use its assets and resources to grow and develop the societies where it operates while growing its business.

"The group believes strongly that business success is dependent on operating in a healthy society and environment, and companies need to consider their profitability alongside the impact they have on communities in which they operate. It understands fully well that when its customers and clients do well, and so does it. When the communities where the bank operates thrive, it does too. And when society prospers, everyone does.

Supporting enterprise development is therefore a central pillar of the Shared Growth strategy. To this end the group has committed to mobilise financial resources to support SMEs in South Africa, and later across various markets where it has operations. The bank also has several traditional and nontraditional financial products that SMEs in various stages of their growth can access to develop and grow their businesses.

Ultimately, the group's ambition is to help each one of its clients by putting world class banking solutions within the reach of every business in its targeted markets. The belief is that this approach will ultimately allow the group to achieve its vision of empowering SMEs to prosper, as it builds and aspires to be the Pan-African business banking partner of choice. ❇

For further information about Barclays Africa, please visit our website www.barclaysafrica.com

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> IFC:

Energy Storage Can Open Doors to Clean Energy Solutions in Emerging Markets

By Alzbeta Klein and Bernard Sheahan

For more than a hundred years, electrical grids have been built with the assumption that electricity has to be generated, transmitted, distributed, and used in real time because energy storage was not economically feasible . This is now beginning to change. Battery storage at grid scale is on the verge of commercial viability. This is good news, not only because of the over one billion people worldwide who continue to live without access to electricity, but also because of the enormous contribution energy storage can make to greater supply and use of clean energy.

As clean energy generation becomes more mainstream around the world, its variability and supply fluctuation begin to impact the electricity systems for which energy storage is a key factor. Storage can help even out spikes and dips in solar and wind resource availability and enable energy distribution to be shifted from the time of generation to the time of peak demand. There is no well-defined threshold level of renewable energy supply needed to ensure nonstop supply but in most cases grid systems operators begin to invest in storage when 10% of their overall supply comes through renewable sources of wind and solar.

Over more than a decade, energy storage system vendors and battery manufacturers have been perfecting large-scale battery technology by extending its life cycle, toughening it to harsh environments, evolving management systems and, most importantly, continually driving down the cost. The industry has now reached a pivotal moment, with large storage systems becoming more competitive with other grid assets from a business perspective.

The technology has been proven in the markets of North America and Europe with several vendors offering competing technologies and solutions. What's more, the capacity for installation and operation already exists. Back-of-the-envelope calculations show more and more cases of clean energy becoming viable in an ever increasing number of markets. We can see that stationary storage has clearly begun its evolution from a niche solution to a mainstream grid asset. Nonetheless, as with solar, there is a time lag between achieving viability and mainstreaming storage with commercial partners.

According to a recent study commissioned by IFC, the World Bank's ESMAP and the US Department of Energy, energy storage deployment in emerging markets is expected to grow 40% a year over the next decade, up from 2GW currently installed in emerging markets, resulting in about 80GW of new storage capacity. This will open up new markets and offer tremendous opportunities.

> "Supporting energy storage technology is a strategic focus as a means of extending the reach and uses of renewable energy beyond intermittent power."

IFC expects the energy storage sector will grow significantly in coming years, leading to economies of scale. It has been tracking the storage market over several years and continues to support energy storage deployment in emerging markets.

To date, we have engaged by means of early-stage venture capital investments, helping to prepare the market for mainstream investments. Some of our noteworthy investments included Microvast, a China-based manufacturer of especially fast-charging lithium-ion batteries; Fluidic Energy, a manufacturer of zinc-air batteries used to power telecom towers; and AST, from India, which deploys photovoltaic (PV) solar plus batteries to power telecom towers.

While we have observed a remarkable transformation of the market in the last couple of years, with energy storage growing to become part of the mainstream power sector in emerging markets, challenges remain for taking this to scale. Financing appears to be the most pressing of these challenges. Although energy storage costs are expected to continue decreasing in the years to come, their current levels remain relatively high, enough to restrict access to affordable financing across emerging markets. Innovative investment mechanisms, in coordination with improved industry standards and stronger government support, will be needed to unlock the transformative potential of energy storage.

The IFC has ambitious goals for creating and opening up markets for clean energy. Supporting energy storage technology is a strategic focus as a means of extending the reach and uses of renewable energy beyond intermittent power. Energy storage will be a key third component in IFC's clean energy asset mix, in addition to generation and efficiency. The World Bank Group's Scaling Solar Programme, which has made it easier and faster to procure solar PV in emerging markets, may be extended to energy storage once costs fall further. Storage technology is well-suited for a similar standardised procurement approach.

Our commitment to stepping up as an advisor, investor, and partner in this important sector has never been stronger.

ABOUT THE AUTHORS

Alzbeta Klein is the director and global head of IFC Climate Business, and **Bernard Sheahan** is the director for Global Infrastructure & Natural Resources at IFC. ❊

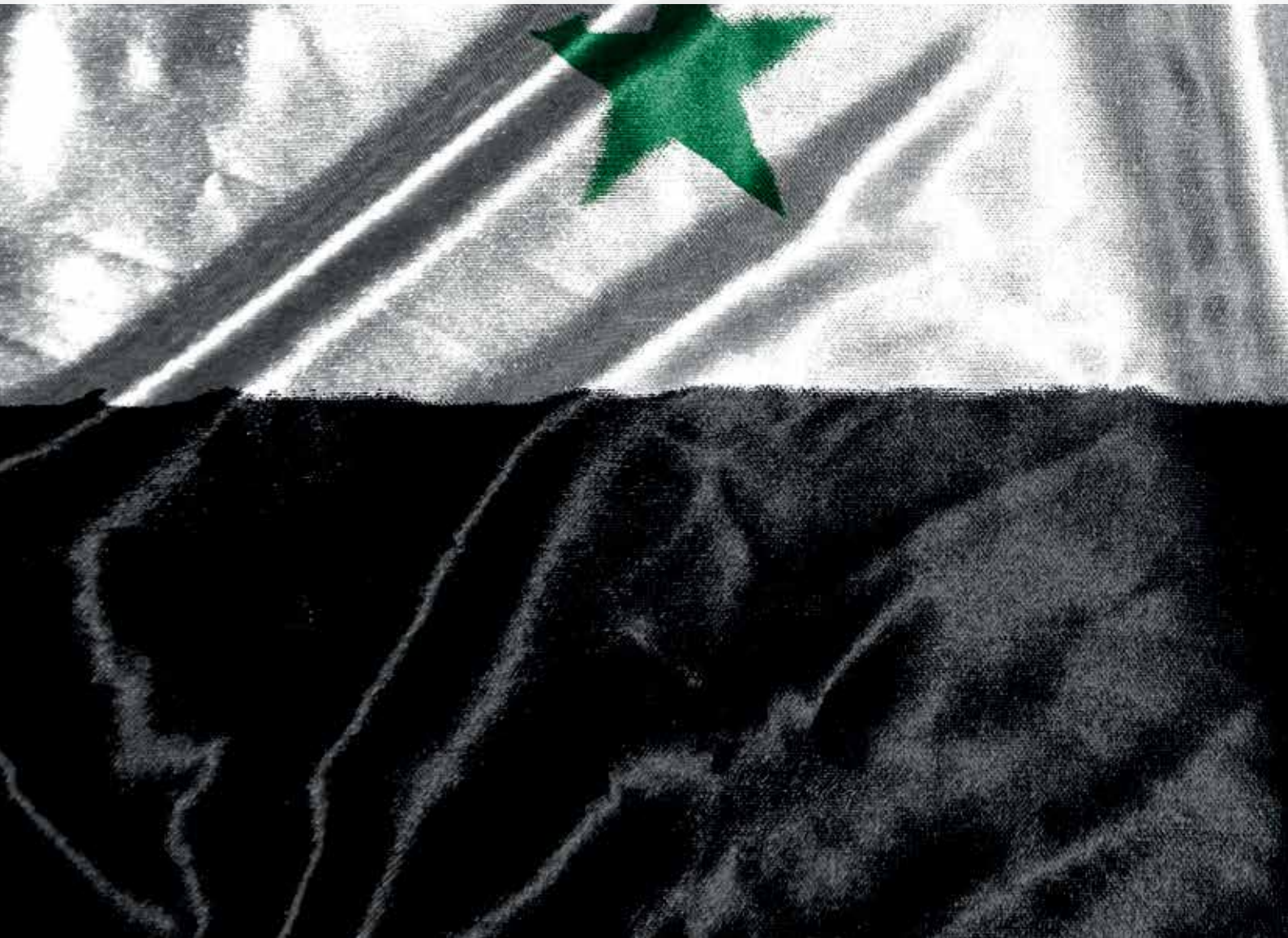
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> Middle East

Syria: Rebuilding the Devastated Land

By Wim Romeijn

The winner pays for all. Though an end to the fighting in Syria is nowhere near, the rebuilding of the country devastated by six years of war has bankers and builders the world over manoeuvring for pole position. Even Israel is getting in on the act with Minister of Construction Yoav Galant proposing to spearhead a multibillion dollar rebuilding programme, largely underwritten by American largesse, in exchange for international recognition of his country's sovereignty over the Golan Heights. The plan aims to kill not one but three birds with the proverbial stone: boost security along Israel's northern border, counter Iran's influence, and – almost an afterthought – help Syria clear the rubble.





The programme, presented to Prime Minister Benjamin Netanyahu and pushed in Washington, also aims to derail the Tehran-Damascus-Beirut Shia axis. It calls for 'dozens of billions of dollars' to be coughed up by the United States and a recognition of the 'centrality' of Russia's influence in Syria. For now, however, Mr Galant's plan has met with only muted support.

Deputy Executive Secretary of the UN Economic and Social Commission for Western Asia and former Deputy Prime Minister of Syria Abdullah al-Dardari suggest a broader approach: "Parties to the conflict must understand that a military or a political victory in Syria will not be enough. If there is a single winner, he will have to pay for all and bear the burden of economic responsibility for [the country's revival]." Mr Al Dardari noted that the rebuilding of Syria needs to be a comprehensive process which unites all of the stakeholders.

"Setting the Syrian economy back on track with the support of Russia and the US is not a zero-sum game. These are not mutually exclusive processes. I think that there are enough resources in Syria to satisfy economic interests of the US, Russia, regional stakeholders, and most importantly the Syrian people." A problem planners face is that no one has a clear understanding of the scale of the damage in Syria. Estimates of economic losses vary wildly, though $200bn seems to be the consensus at the lower end of the scale.

In Riyadh, the second stop of his mid-February whirlwind tour of the Gulf States, Turkish president Recep Tayyip Erdo□an met King Salman bin Abdulaziz Al Saud and Saudi cabinet members to discuss developments in Syria, and more particularly the country's political and economic future. Tellingly, Abdulrahman Abdullah Al Zamil, chairman of the Council of Saudi Chambers and present at the meeting, afterwards explained that he expects the war in Syria to be over within a year: "We expect Turkish and Saudi corporations to take the lead in the rebuilding of Syria."

"I am optimistic about the future. The role of Turkey has been constructive and the role of Saudi Arabia will continue to be constructive. We are both considering the interests of the people. Everybody is tired of it. So, it is in the interest of all of us to bring this suffering to an end." Mr Al Zamil emphasised that as the war will inevitably come to an end, the region will stand at another critical moment. The businessman called Turkey and Saudi Arabia the 'pillars' of the Islamic world: "We must act together."

"Setting the Syrian economy back on track with the support of Russia and the US is not a zero-sum game."

Over the last few years, Turkey and Saudi Arabia have moved much closer. The ties both countries forged are expected to counterbalance the growing influence of both Iran and Russia. The joker in the pack is the United States which under President Obama was outmanoeuvred and, essentially, ejected from the equation. However, the Trump Administration seems determined to stage a comeback with the president reportedly considering the deployment of ground troops in Syria to crush and otherwise obliterate Islamic State. How that will alter the already murky balance of power is anyone's guess.

Mr Al Zamil, who speaks on behalf of the Saudi business community, remains, however, an optimist, albeit a cautious one: "Syria needs to be reconstructed regardless of who is in charge. We can help with that and are indeed anxious to do so. However, Saudi and Turkish companies should only work with partners they trust. Joint ventures can work for the construction part. Saudi Arabia has already spent hundreds of billions to help Syria, Iraq, and Yemen. Look what happened. It has all gone to corruption or violence. So, this time my advice to my government is that nothing should be paid in cash."

Meanwhile in Beirut, planners, activists, and bureaucrats are already at work producing a blueprint for post-war Syria. The National Agenda for the Future of Syria brings together engineers, architects, and development experts to tackle seemingly impossible technical problems. Housed in the office tower of the United Nations Economic and Social Commission for Western Asia (UN ECWA), professionals are trying to figure out how many tonnes of cement and steel are required for the rebuilding of Syria; how to offer temporary shelter to returning refugees; and how to bring life back to cities and communities destroyed by war.

Thierry Grandin of the World Monuments Fund dismisses critics who call the National Agenda's efforts premature: "It is good to do the planning now, because on day one we will need to be ready. It might come in a year, it might come in twenty, but eventually there will be a day one. Our job is to prepare for that day."

The task at hand is monumental. Well over a third of Syria's population of around 23 million has been displaced. The country's largest city, Aleppo, was almost completely destroyed with its centre wiped off the map. Most of the city's professionals – academics, craftspeople, medical personnel, entrepreneurs – have left, hampering any future rebuilding effort.

However, Mr Grandin does expect the reconstruction effort to take off swiftly once the fighting has ceased: "The Syrian people are exceptionally resourceful and are very entrepreneurial. What we now need is a politically neutral plan that everybody can get behind." Syrian planners are looking to other war-torn cities and countries for lessons. Whilst life in these places tends to quickly resume its normal place, it survives rather than thrives. Beirut, Grozny, and Sarajevo have so far failed to return to their former glory. Anglo, Rwanda, and East Timor offer more inspiration and glimmers of hope.

Whilst close to home, Beirut is not considered an example worth emulating. Here, reconstruction has been painfully slow thanks, in part, to the corruption of militia leaders who turned to racketeering for supplemental incomes. Work is also delayed by ownership disputes. For the almost two hundred planners working at UN ECWA headquarters, the rebuilding of Aleppo – Syria's industrial powerhouse – is top priority. The city's famed workshops, known for their fine textiles, used to export millions of dollars' worth of goods every week.

The big question is, of course, who will have the influence in Syria after the conflict. "That will dictate who is involved in redevelopment. It all depends on who ends up being in political control," says Richard J Cook, a former UN official who supervised post-conflict construction in Palestinian refugee camps. This explains why the planners try to draw in expertise from all sides in an attempt to make their work neutral. The example of Mostar looms large: despite attempts to bring the Muslims and Christian communities of that Bosnian city together, both communities remain toed to their respective enclaves. A UN-sponsored poll to decide on a statue to be erected in Mostar city centre had a surprising outcome: both sides agreed to immortalise martial arts star Bruce Lee as a gold-plated statue. The message: Mr Lee belongs to no one and means absolutely nothing to the inhabitants of Mostar – a compromise everybody can live with comfortably. ❊

"Whilst close to home, Beirut is not considered an example worth emulating. Here, reconstruction has been painfully slow thanks, in part, to the corruption of militia leaders who turned to racketeering for supplemental incomes."

> QNB ALAHLI:

Capitalising on the Pole Position



Chairman & Managing Director: Mr Mohamed El-Dib

QNB ALAHLI (QNB AA), established in 1978, is one of the key financial institutions in Egypt. The bank is ranked as the second largest privately-owned bank in Egypt in terms of market capitalisation.

The bank established a number of subsidiaries in many specialised fields, contributing to improve and consolidate the bank's positioning in Egypt's financial market, such as QNB ALAHLI Leasing, QNB ALAHLI Life Insurance Company, QNB ALAHLI Factoring Company, and QNB ALAHLI Asset Management.

QNB AA is keen to stay in a close proximity and close relationship to its clients in order to facilitate access to up-to-the-minute information. This has helped the bank to present clients with a universal bank offering comprised of diverse products and services that maximise returns and generate value to customers. The bank is characterized by its strong operational efficiency, and prudent risk management which allows returns to be maintained at good levels

Over the years, QNB AA has succeeded to maintain its robust financial strength in terms of growth, profitability, and low non-performing loan ratio in spite of the continuously changing environment. This is strong evidence of the resilience of the bank's business model.

QNB AA provides dedicated products in short, medium, and long term financial advisory, project, structured, and trade financing, cash management, and foreign exchange. With its competitive offering, QNBAA has managed to establish strong bonds with its corporate clients whether large domestic corporations, subsidiaries of multinational companies, midcaps, and SMEs.

SME banking constitutes a strategic market for QNB AA. Since 2009, the SME banking segment grew substantially. The positive results obtained over the last few years authenticate QNB ALAHLI's management vision. The SME segment in Egypt is still a green field and therefore, the bank will keep moving forwards by developing a dynamic differentiated approach moving the SME segment to accelerated growth.

On the retail banking side, QNB AA has managed to capitalise on its leading position as a pioneer in developing and implementing a world-class retail banking service.

QNB AA adapted a unique market segmentation approach to be able to structure products and solutions that meet the requirements of each specific segment. The bank now serves over 900,000 retail customers through 207 branches and more than 440 ATMs and some 15,000 POS, in addition to a state-of-the-art call centre performing 24/7 as well as e-banking and e-payment channels

The bank knows quite well that its successes could not have been achieved without the dedication of its more than 5,600 employees. Thus, the bank is keen on investing in its human resources in order to offer access to the continued skill development that is required to cope with the latest global banking systems through an organised training plan that covers all the bank's employees.

Concluding, QNB ALAHLI's corporate social responsibility committee is aware of the relation between societal development and organisational success. Hence the attention allotted to social responsibility which drove the bank to participate in many charity projects and programmes aimed at driving the social development of Egyptian society. ❇

> CFI.co Meets the Chairman of Kuwait International Bank:

Mohammed Al-Jarrah Al-Sabah

A seasoned veteran of the banking industry, Sheikh Mohammed Al-Jarrah Al-Sabah has served as chairman of Kuwait International Bank (KIB) since 2010. Sheikh Al-Jarrah first joined the bank's board of directors in 2007, bringing extensive professional experience in the banking and financial sector in Kuwait. His strong leadership and focused vision have proven to be a vital element driving the bank's continuous growth and success over the past few years; helping to position KIB at the forefront of the Islamic banking sector not only in Kuwait, but across the region as well.

Sheikh Al-Jarrah came on board at KIB during a pivotal moment in the bank's history – as it was making the transition from a conventional specialised real estate bank, known then as Kuwait Real Estate Bank, to a full-service bank operating in accordance with the principles of Islamic Law. Under his guidance, the newly invigorated KIB succeeded in achieving exponential growth across all areas, and in just a few short years, managed to cement its position as a key player in the Islamic banking sector in Kuwait. In fact, it was only six years later that the bank garnered its first award for Best Islamic Bank from World Finance, and that was only the first in a string of prestigious accolades for KIB and Sheikh Al-Jarrah.

A Prominent Figure in the Arab Banking Industry

Over the years, Sheikh Al-Jarrah has established himself as a key influential figure in the Arab banking industry, earning a reputation for being a first-class leader and savvy financial strategist. In addition to his role at KIB, Sheikh Al-Jarrah also currently serves as chairman of the Union of Arab Banks (UAB) and board member of the Kuwait Banking Association (KBA).

In his role as chairman of UAB, Sheikh Al-Jarrah has focused his efforts on shedding light on the significant role that Arab banks play in the international economic landscape, especially as global paradigms and balances of power continue to shift. Moreover, he has been an instrumental force in furthering UAB's efforts to enhance the reputation of Arab banks around the world, showcasing the industry's strength and continued growth despite the political and security challenges facing the region.

As a keen advocate of joint Arab-International banking cooperation, Sheikh Al-Jarrah has always sought to promote greater collaboration and unity amongst financial institutions across the Middle East and the GCC – in an effort to harness their combined resources and capabilities to drive sustainable social and economic development in the region.



Chairman: Mohammed Al-Jarrah Al-Sabah

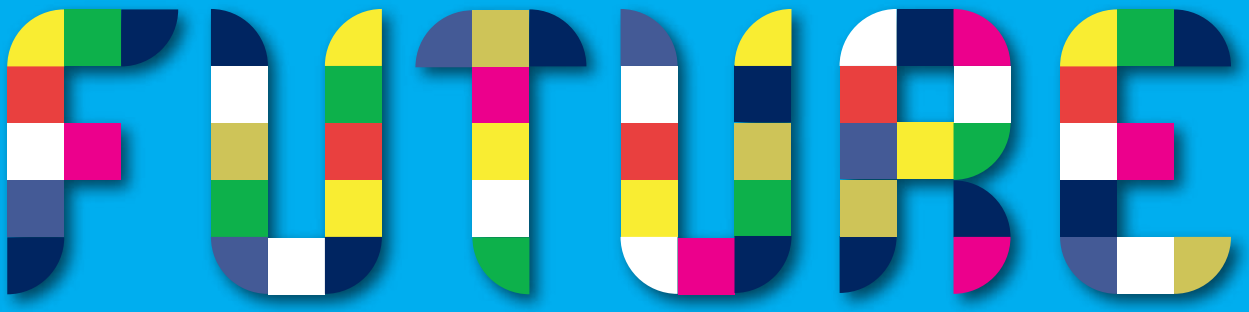
The UAB chairman has frequently reiterated his belief that cooperation between Arab banks is not only important but crucial, helping mobilise human capital, conserve and maximise resources, and build capacities. He has also often warned against the dangers of the migration of domestic capital, and has been a very vocal champion of Arab banks channeling their investments into their local economies, thereby boosting economic development and creating job opportunities for local populations.

A DECORATED AND DISTINGUISHED CAREER

Sheikh Al-Jarrah has enjoyed a prolific professional career marked by numerous achievements, during which he has held several leadership positions with key market players in Kuwait, including: Kuwait Real Estate Investment Consortium, Commercial Bank of Kuwait, Kuwait Re-Insurance Company, Salhiya Real Estate Company, and Arab Insurance Group (ARIG). In addition to his role at KIB, Sheikh Al-Jarrah is also a member of the board of trustees at the Arab Academy for Banking and Financial Sciences, and serves as vice-chairman of the board of directors of Warba Insurance Company.

Over his long and distinguished career, Sheikh Al-Jarrah has received a host of honours and recognitions from key regional and international bodies, serving as testaments to his achievements and exceptional leadership. In 2013, Sheikh Al-Jarrah received the Golden Medal Award of Merit from the Tatweej Academy for Excellence and Quality in the Arab Region. He was further recognised as GCC Chairman of the Year by World Finance, a London-based global banking and finance journal, in 2015. ❇

Whatever the



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> Kuwait International Bank:

Rooted in Legacy, Looking Towards the Future

With a corporate history spanning more than 45 years, Kuwait International Bank (KIB) has built an impressive legacy of success in the Banking industry – not only in Kuwait, but across the region as well.

Known today as one of the leading Islamic banks in the GCC, KIB embarked on its journey into the banking world via a much different route. Upon its establishment in 1973, the bank quickly carved a niche for itself in the market, becoming one of the only in the region to focus exclusively on the real estate sector. Known originally as Kuwait Real Estate Bank, it played a key role in one of the most active and prosperous periods of Kuwait's history. During that time, Kuwait was in the midst of a major economic boom, driven largely by the success and strength of its fledgling oil industry. As the country found itself on the fast track to becoming a regional economic powerhouse, two key industries were at the epicentre of this boom: the banking and real estate sectors.

As the only bank of its kind in the country dedicated to the real estate sector, Kuwait Real Estate Bank positioned itself firmly on the front lines of the country's economic progress and growth; actively contributing to the development of Kuwait's economic, infrastructural, and architectural landscapes during the period between 1973 and June 2007.

A DEFINING TRANSFORMATION

The major turning point for the bank came in July 2007, when it spearheaded the first transformation of its kind in the Middle East.

> "The bank's success in carrying out its strategic plan has been a large factor contributing to KIB's stellar performance in 2016."

In an effort to address the changing economic climate and the evolving state of the banking industry in the region, the bank embarked on a strategic transformation which saw it transition from a conventional real estate bank to a full-fledged Islamic retail bank.

Mirroring global financial trends, the past decade has seen the demand for Sharia-compliant banking grow exponentially in Kuwait. The country, which has often been described as a pioneer of the Islamic banking industry, was on a clear trajectory to becoming a predominantly Sharia-compliant financial market. Within this context, adopting an Islamic banking model came as a logical and even necessary step for a bank always looking to stay at the forefront of its industry.

Although by no means the first financial institution to choose to go down the Sharia-compliant route, KIB stands out as one of the more successful examples of such a transformation. Today, as the bank marks ten years since its pivotal transformation, KIB has established itself as a force to be reckoned with in the realm of Islamic finance in the GCC – poised to become a key player in an ever-more competitive market.

A VISIONARY OUTLOOK AND A FORWARD-THINKING STRATEGY

Today's banking environment is challenging and demanding to say the least. For one thing, the market is more competitive than ever, especially for Islamic banks. In Kuwait the Islamic banking sector continues to grow and develop at a rapid pace, and by all accounts the demand for Sharia-compliant banking products and services has reached an all-time high. In fact, recent reports indicate that Islamic finance assets now account for about 45% of Kuwait's total banking assets – with this number expected to continue to grow over the next few years. However, heavy competition is far from the only challenge that Kuwaiti banks need to traverse. Both conventional and Islamic bank find themselves dealing with expanded and more rigid local and international regulatory frameworks. They are also faced with rapidly shifting consumer behaviour paradigms and having to cater to an increasingly sophisticated and tech-savvy customer base.

An Unparalleled Commitment to Social Responsibility

One area that KIB continues to shine in is social responsibility, as the bank maintains one of the most comprehensive and successful social responsibility programmes in the industry.

Social responsibility had always been a fundamental cornerstone of the bank's vision and business model, but it was the transformation to a Sharia-compliant bank that truly revolutionized the bank's approach to corporate citizenship. The bank's integrated and encompassing social responsibility programme focuses on supporting a wide range of initiatives covering many key areas, including: religion, humanitarianism, social causes, philanthropy, sports, environment, healthcare, nationalism, culture, education, and many more.

One flagship component of KIB's social responsibility efforts is its pioneering financial literacy programme through which the bank draws on its industry expertise and knowledge in order to spread financial awareness and economic education across Kuwait. The programme features a number of diverse initiatives, including an ongoing calendar of educational school visits and interactive workshops for youth and entrepreneurs, and it is particularly focused on targeting children and youth in order to help cultivate financial awareness starting at an early age.

In 2017, KIB is looking to expand its reach and further develop the programme by introducing innovative new platforms and initiatives, with the ultimate goal of spreading financial awareness to all segments of the community.


Kuwait

The Kuwaiti Banking Sector: A Pillar of Economic Strength and Stability

Kuwait's financial system has always been largely banking-centric, despite the still-dominant energy sector – the banking industry continues to be one of the main drivers of the country's economy.

The Kuwaiti banking sector is considered to be one of the oldest and most developed financial institutions in the GCC region and, in an increasingly turbulent and unpredictable economic climate, the sector has continued to stand strong and perform exceptionally well. When the global financial crisis hit the industry in 2008, the Kuwaiti banking sector rose triumphant and fared far better than many of its regional – and even international – counterparts. Despite a period of economic downturn and subdued growth, the banking sector has proven to be resilient and has recorded steadily improving performance over the past few years.

One of the many reasons often cited for the ongoing success and strength of the sector is the role played by key government entities in supporting the sector – especially the Central Bank of Kuwait (CBK). CBK operates a strict macro prudential approach and hence provides banks with substantial support and regulatory insight, which has enabled the industry to weather many a storm, emerging stronger and more stable than ever before.

Rather than deter the bank, this challenging landscape has motivated KIB to adopt an all-encompassing strategic plan focused on a more aggressive approach, in order to boost the bank's competitive edge and help propel it to the forefront of the Islamic banking sector. The three-phased strategy was launched in 2015 and is designed to overhaul all aspects of the bank's operations, including performance, market growth, asset quality, organizational structure, and, most importantly, product and service offerings.

To date, the strategic plan has been highly successful in achieving a number of key objectives. Since launching the plan, KIB has been heavily focused on driving internal transformation, including rolling out a new governance model, carrying out key changes to its organizational structure, and recruiting a number of highly-qualified professionals and local talents across the its organisation. The bank's strategic plan also focused on developing and streamlining its offerings to customers, and KIB has made great strides in developing its digital channels and enhancing its customer banking experience across all platforms, with a particular emphasis on simplifying procedures and improving distribution channels.

The bank's success in carrying out its strategic plan has been a large factor contributing to KIB's stellar performance in 2016. KIB's profits grew by 14% to reach KD18.2 million, comparable to KD 16.1 million for the year 2015, and the bank has also witnessed exponential growth across several key performance areas, including: financing income, total assets, financing portfolio, investment portfolio, depositor accounts, asset quality, and coverage ratios. The bank has made major strides on the retail front, introducing innovative and state-of-the-art banking solutions crafted to meet the ever-changing needs of both customers and the market.

A true testament to the bank's stability and strength came when Fitch Ratings upgraded KIB's Viability Rating, whilst also re-affirming its Long-Term Issuer Default Rating at "A+", with a "Stable" outlook.

Overall, 2016 proved to be a milestone year for KIB, and with the final phase of the strategic plan set to take place during 2017, the bank seems to be well on its way to fulfilling its vision of becoming the "Islamic Bank of Choice" for Kuwaiti customers and employees alike. ❇



> Afghanistan International Bank:

Professionalism Endorsed

Winning awards is always cause for pride, but for Afghanistan International Bank there is a much more important dimension to receiving Capital Finance International's Best Corporate Governance Afghanistan award – especially for three successive years.

Such recognition is an independent and authoritative endorsement of the success of AIB's commitment to being Afghanistan's most reputable financial institution.

AIB has also been voted Best Bank in Afghanistan by The Banker magazine for the fifth consecutive year – further proof of the bank's professionalism.

AIB consistently strives to adhere to international best practices in corporate governance, and financial and risk management – including anti-money laundering and know-your-customer processes – customer service, operations, information technology, and internal controls.

The bank invested more than $1.25 million in 2016 to upgrade compliance-related systems, working with consultants to develop human resources and technical capabilities.

Setting a high benchmark for this entire exercise ensures that AIB is in line with the requirements of US banking regulators. Correspondent banks recognise AIB as the only Afghan bank to achieve this, a crucially important factor that underpins their relationships.

Such commitment to international standards enhances AIB's role as a vital intermediary in enabling Afghanistan trade flows, stimulating the domestic economy, and making a vital contribution to the bank's substantial growth in foreign exchange business.

In turn, AIB's commitment to international best practice fuels its continued success and reputation for integrity, good governance, and attention to customer needs. Its status as the most respected financial institution and the bank of choice in Afghanistan has grown stronger as a result.

AIB is the leader in deposits (holding more than 30% of all deposits in the banking system), by profitability (most profitable bank by far), and by



"AIB's commitment to international best practice fuels its continued success and reputation for integrity, good governance, and attention to customer needs."

return on equity (more than 13%, substantially above other Afghan banks and the world average for banks).

Since AIB's foundation in 2004 at the instigation of prominent Afghan business groups and the Asian Development Bank, it has been recognised as a pioneer in the country's banking sector. Now, more than a decade later, this recognition is further reinforced by repeatedly receiving international awards.

COMPREHENSIVE NATIONAL COVERAGE

AIB's extensive network of 36 branches and 79 ATMs gives more than 100,000 customers easy access to the bank's products and services, especially in the main business centres. ATM transactions alone now total more than 1.25 million a year.

Customers can also take advantage of the full range of banking facilities, such as current and savings accounts, term deposits, debit/credit cards, and online banking. Corporate services include cash management, payroll services, trade finance, loans, foreign exchange, and treasury.

AIB is banker to most leading Afghan business houses and to the United Nations, American and NATO Forces, the Asian Development Bank, World Bank, Nokia Siemens, Ericsson, United States Agency for International Development, Deutsche Gesellschaft für Technische Zusammenarbeit, Japan International Cooperation Agency, Danish Committee for Aid to Afghan Refugees, the Korean International Cooperation Agency, and the embassies of the United States, United Kingdom, and Denmark.

To meet growth requirements, the bank will soon move into a 12-storey head office, with 23,000m^2 of floor space and incorporating high-security protection.

Despite Afghanistan's challenging environment, AIB's financial performance and its specific investments in people and infrastructure have made the bank a positive emblem for achievement and transformation.

This status is underlined by having two major international clearing banks as correspondents – Standard Chartered Bank in New York and Commerzbank in Germany. In 2016, AIB also opened an account with State Commercial Bank of Turkmenistan to ensure smooth and fast payments for oil imports: the first Afghan bank to have an account with a Turkmenistan bank. Julius Baer Zurich and Emirates NBD manage AIB bond portfolios.

AIB has built an enduring business that combines international expertise with local knowledge, giving it a deep-rooted understanding of customer needs.

BUILDING INSTITUTIONAL COMPETENCE

Over the past few years the bank has undertaken initiatives to build and reinforce its institutional core. These are focused on four areas: corporate governance, operational excellence, customer satisfaction, and financial stability. Together, they are designed to maintain AIB's status as the leading financial institution in Afghanistan, and to ensure that the bank has the structure and competence to meet the challenges that might well be faced over the next few years.

The board of supervisors has implemented governance improvements that include defining clear responsibilities for shareholders, board of supervisors, and management. The bank has two shareholders, each with 50% ownership. The shareholders operate under a policy of non-interference in management decisions and the bank's operations.

The board comprises the chairman, two shareholder representatives, and three independent directors. The chairman is also an independent director, in compliance with central bank regulations. Independent members are in the majority, again in line with regulations and international governance standards.

The board has six committees: Remuneration, Risk, Investment, Nominating, Strategy and Planning, and Audit. Each committee has a formal charter to guide its activities.

The bank has also strengthened its planning process, which now includes specific business objectives with the corresponding assignment of responsibilities to individual executives through a goal-setting mechanism, as well as preparation of financial budgets. Bonuses paid to executives are closely tied to the bank's overall performance and each executive achieving his own goals.

CONSISTENT GROWTH AND ACHIEVEMENTS

AIB is Afghanistan's best-performing financial institution. Total capital increased in 2016 from AFN 3.7 billion to AFN 3.9 billion. Capital adequacy ratio of 14.72% and 67.01% liquidity are very satisfactory by domestic and international standards. AIB believes it retains the highest score of all Afghan banks in its CAMEL rating – the acronym for five key components of a bank's health: capital adequacy, asset quality, management, earnings, and liquidity.

Top-quality information technology is a prerequisite for sustained growth, and AIB operations are based on platforms and systems that are recognised as global best practice for banks.

CONFIDENCE IN THE FUTURE

AIB looks ahead with confidence. Although political and economic uncertainties continue in Afghanistan, 2016 was another very successful year for the bank. While remaining conservative in its financial outlook, AIB expects to maintain annual revenue growth, which stands at a compound 13.2% since 2010. ❊

> Bakhtar Bank:

Banking on Financial Inclusion

BAKHTAR BANK

Afghanistan's economy has grown significantly over the past few years with the country's GDP expanding steadily. Aggregate output increased in the agriculture, manufacturing, and services sectors of the economy. In the second half of 2016, Afghanistan received around $800m in foreign direct investment while the government has kept up expenditure on infrastructure projects, including the construction of 29 hydroelectric power plants which will transform the country before long into a net exporter of energy.

The dams and their reservoirs also aim to improve the management of water flows – crucial to agriculture. While Afghanistan has ample water resources, their containment and distribution constitute challenges that now can be met for the first time in the country's history. Economic development is seen as key to ensuring a stable political climate which, in turn, will help eradicate poverty.

Bakhtar Bank, helping to underwrite Afghanistan's accelerated growth, is the first full-fledged Islamic bank in the country, offering world class services and contributing significantly to the national economy by introducing modern banking products and services to the nation that encourage national and individual development.

Bakhtar Bank boasts a strong management team and a research-based investment structure geared towards providing quality service to its clients. The bank operates with the objective to serve the Afghan business community and help facilitate its continued expansion. The main factor in the bank's success is its devotion to capacity building and operational excellence. Bakhtar Bank has gained wide recognition as a formidable partner to industry, providing not only financial services but – via its large branch network – access to business opportunities as well.

Bakhtar Bank endeavours to adhere to international best practices in corporate governance, financial and risk management, customer service, operations, and information technology. The bank's employees provide services that dovetail with the needs and aspirations of its growing client base, ncluding, but not limited to, Afghan locals, entrepreneurs, and international institutions.

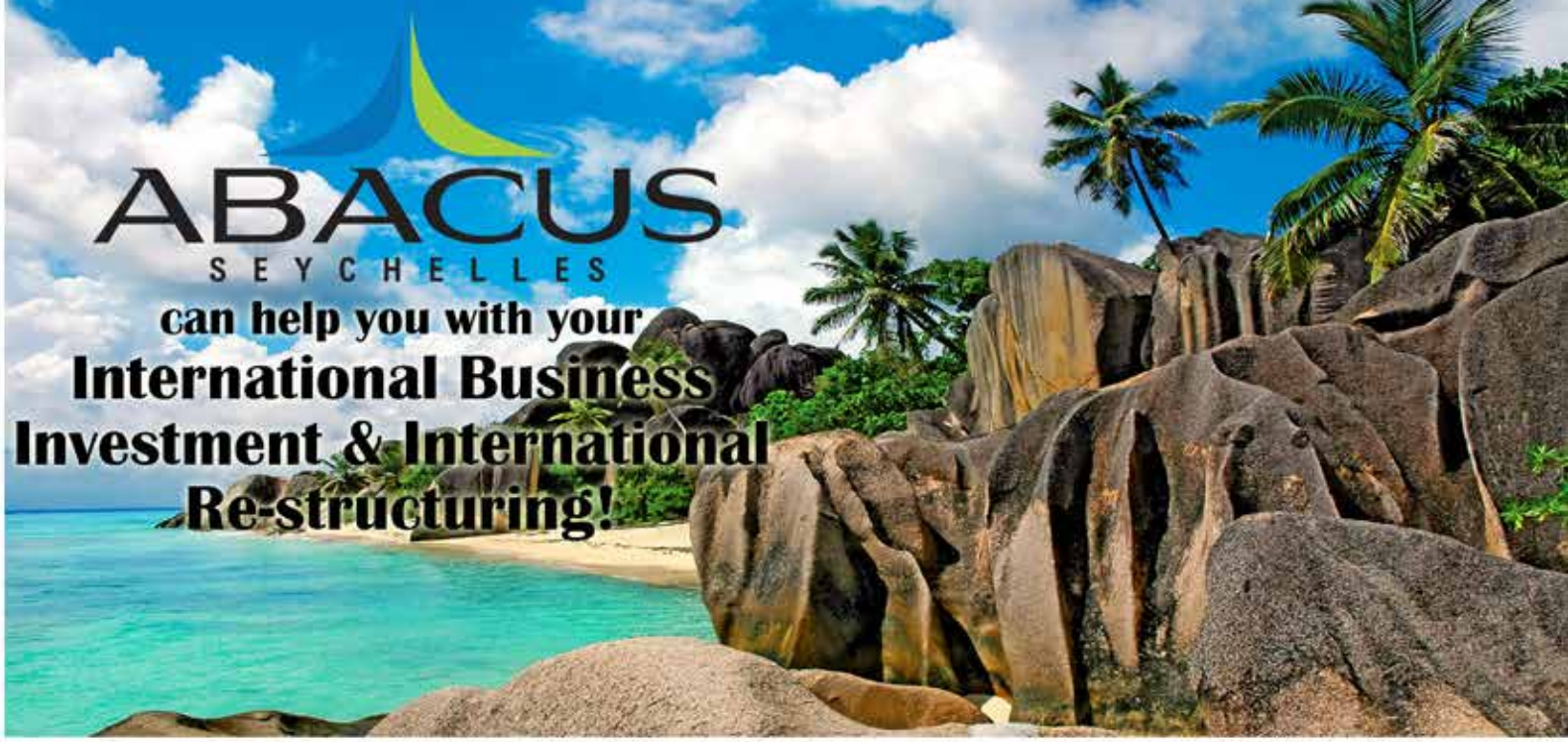
In order to keep and expand its leading edge, Bakhtar Bank recently acquired the world-renowned Flex Cube banking software suite – widely considered the gold standard – which is currently being rolled out and is expected to further improve the scale, security, speeds, and quality of the facilities available to Bakhtar Bank customers.

Bakhtar Bank offers a comprehensive array of product and services such as safety deposit lockers, financing, money market solutions/treasury, ATM, debit cards, and salary disbursement solution, amongst others. The bank also provides ready-made solutions to corporates and retailers. Since June, 2009, Bakhtar Bank maintains and operates a network of 59 full-service branches and two counters. The bank also offers alternate delivery channel (ADC) services such as fully-featured ATMs and an online banking portal.

After its conversion into an Islamic bank, Bakhtar Bank entered the corporate and SME sectors and also launched a large-scale nationwide initiative to promote financial inclusion via a number of micro-finance schemes and other programmes.

It is pertinent to note that 91% of Afghanistan's economy is unbanked. In order to facilitate social inclusion and access to finance, a number of initiatives are being undertaken by Bakhtar Bank, such as the introduction of faith-sensitive banking contracts and agreements. The bank has also introduced state-of-the-art cashless wallets and mobile banking services that now reach every nook and corner of Afghanistan. Additionally, Bakhtar Bank maintain a range of micro-finance products. These steps are expected to help reduce unemployment through job creation, the alleviation of poverty, and push economic growth and prosperity at grass root level. ❊





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> Luxury Living

The Luxury Book: An Antidote to Digital Fatiguet

By Wim Romeijn

In the ultimate revenge of the Comic Book Guy, Benedikt Taschen deserted the ranks of the German shop-keeping Mittelstand to become an accomplished publisher and a patron of contemporary art. Described by Vanity Fair as "one of the few people in business who has the courage to do exactly what he wants whenever he wants to", Mr Taschen proved the point by publishing the world's largest-ever book: a 464-page limited-edition of Sumo by the German-Australian photographer Helmut Newton (1920-2004), celebrated for his fetishist and subtly masochistic black-and-white shots which became a staple of Vogue and Harper's Bazaar in the 1960s.

Measuring fifty by seventy centimetres and weighing slightly over thirty kilos, Sumo was provided with its own bespoke stand commissioned from French architect and designer Philippe Starck, a former artistic director at Pierre Cardin: most coffee tables would probably not have supported the tome that redefined hefty. Sumo was released in 1999 in a 10,000-copy print run, numbered and signed by the photographer, with the first book to roll off the press autographed by all eighty artists featured in it, amongst them Nicolas Cage, Mickey Rourke, and Catherine Deneuve. A year later, that first copy fetched $430,000 at a Berlin auction – establishing a new record for a book published in the 20th century.

Priced at $1,500 each, the first edition of Sumo sold out within weeks and firmly established the reputation of Taschen as a purveyor of luxury books. Whilst later – and much smaller – editions retailed at a much more accessible $150, copies of the original are now trading at well over $18,000. A likewise Sumo-sized 2014 Taschen limited-edition of Annie Leibovitz' photography featuring Patti Smith on the cover is also working its way up into the stratosphere with copies already trading at a 50% mark up over the original $2,000 retail price.

Underpinning its standing as a publisher of the outrageous, Taschen Books also released a $50,000 collector's edition with the work of Bulgarian installation artist Christo Javacheff and his Moroccan wife Jeanne-Claude, complete with an original lithograph and sketches, and GOAT (Greatest of All Time) - an 800-page biography of Muhammad Ali which recently saw its price double to $15,000. That amount does, however, include a statue of the fighter by New York sculptor Jeff Koons.

BEYOND THE SUPERLATIVE

Though overstatements in both size and price,

"A year later, that first copy fetched $430,000 at a Berlin auction – establishing a new record for a book published in the 20th century."

Taschen Books looks positively run-of-the-mill when compared to Kraken Opus, a publisher set up in 2005 by retired Goldman Sachs investment banker Karl Fowler on Guernsey, in the Channel Islands. Mr Fowler is the publisher of the Burj Dubai Opus – an almost five-metre-tall book that graces the lobby of the landmark building. Scraping the sky at 829.8 metres, the 211-floor Burj Khalifa in downtown Dubai opened in 2010 after only six years of construction work. The giant book in its main lobby offers the definitive account of the building process and was commissioned by Emaar Properties, the Dubai-based developer that erected the world's tallest free-standing structure. A more human-sized edition is now also being prepared, though at a price point as elevated as its topic.

Kraken Opus aims for the blatantly overstated – and makes no excuses for it. Publisher Karl Fowler is inspired by overachievers and considers it logical that their biographies should match their prowess. With projects financed mostly by anonymous Middle Eastern billionaire backers, Kraken Opus has published books such as the leather-bound Diego Maradona Opus, which ships with samples of the footballer's hair, and the Prince Opus, complete with a branded iPhone. The publisher also secured an exclusive deal with the estate of Michael Jackson to release a luxury biography of the pop singer.

However, these books represent Kraken Opus' low end. The publisher is mostly known for its extreme editions on sports teams and celebrities, snapped up by über-wealthy Middle Eastern monarchs and well-heeled members of their retinues, for a million dollars or more. A copy of the Manchester United Opus recently changed hands for a cool $1.5m, establishing a new record as the most expensive sports book ever sold. In 2010, investors primed for the imminent release of a Kraken Opus biography of India's cricket legend Sachin Tendulkar, widely considered the greatest batsmen of all time, quickly bought up the entire ten-copy print run of the $75,000 book. In a rather bizarre twist, a pint of Mr Tendulkar's blood was mixed in with the paper pulp to produce the signature page.

The resale market for highly exclusive books remains, however, difficult to gauge. Traditional auction houses such as Christie's and Sotheby's have so far declined to include them in their catalogues which, for now, remain the domain of rare manuscripts and century-old first editions. The venerable British auctioneer Bonhams of London's New Bond Street, has offered a few modern over-the-top titles to mixed results.

THE COMIC BOOK GUY

Benedikt Taschen, who started his career as a seller of pre-loved US comics in Cologne, thinks it still far too early for a second-hand market of luxury books to appear. Whilst investors have thrown a few coins into the extravagant book niche, the segment is far too small to merit more, even when compared to other potentially lucrative market snippets such as rare coins and stamps. An added concern is the wearing thin of the novelty factor. None of the mega books place a premium on literary content. The work of their authors is but a footnote to the books' presentation, size, and extravagant finish.

Taschen Books has wisely hedged its bets and used the publicity, and profits, generated by the firm's limited-edition flagship titles to develop a full line of finely crafted yet accessible books



at popular prices. The Taschen Basic Art series, started in 1985 and now comprising 95 volumes, proved a runaway success which was replicated with additional series on architecture, cinema, photography, and lifestyle. The publisher also opened a string of dedicated bookstores in European capitals and a number of US cities. The company maintains an art gallery in Los Angeles and is widely recognised as a standard bearer for the printed book, fiercely resisting the temptation to go digital.

Though forecast since the advent of the computer age, the paper book is staging a timid comeback. After years of steady decline, the number of brick-and-mortar bookshops in Amsterdam has been on the rise for the last three years and now stands at 134, excluding stores operated by retail chains. Though still a far cry from the city's vibrant literary scene that sustained 312 bookshops in the mid-1970s, the rot has been halted. Similar trends have been detected in other European capitals.

MOVING UPSTREAM

Mass-market luxury publishing, not necessarily a contradiction in terms, contributes to the resilience of the paper book. In the UK, Penguin Books – the world's largest publishing house and built on the now perhaps outdated premise that a good book should not cost more than a pack of cigarettes – regularly releases luxury clothbound editions of classic works of literature for as little as £14. With the price of a pack of smokes approaching the ten quid mark, the publisher has stayed remarkable true to its mission. Recently, Penguin published the complete works of Jane Austen as an exquisitely finished seven-volume boxed set for £65 – a remarkable feat attributed to the publisher's pursuit of economies of scale.

Nestled by the far end of the size-to-scale model, The Folio Society – in business since 1947 and with a mission to publish "the world's great literature in a format worthy of the contents" – has established, and maintained, a formidable reputation for its finely crafted tomes. Folio editions are almost universally prized for their specially-commissioned artwork, tasteful presentation (a tribute to the uniquely British sense for understatement), and meticulous attention to detail. Delivered in their signature slipcases, Folio Society books – all limited editions by their very nature – are made to last for centuries and usually hold their value well in the surprisingly large and lively secondary market.

Currently, the Folio Society publishes slightly over sixty new titles annually, including multi-volume sets. The society also maintains a backlist of some 450 titles. Editor Sue Bradbury, who retired from the company in 2011 after thirty years of plotting its course through literature, is credited with making the Folio Society into a household name and providing a solid structure to the publisher's erstwhile rather haphazardly composed title portfolio. However, an expansion into the US fuelled by generous giveaways to

new members ran into trouble over cultural differences. The huge American market for luxury books is one that mostly prefers style and encyclopaedic uniformity over substance.

IMPOSING LOOKS

Whilst the Folio Society has long since moved away from the standardised design that marred its early years, US specialty publishers such as the Library of America, Easton Press, and (now defunct) Franklin Books stick to the tried-and-true formula of churning out similar looking tomes. All Easton Press books are leather-bound and feature 22kt gold lettering, raised spines, and gilded page edges. Whilst veritable treasures, Easton Press books lined up on a library shelf exude a severely daunting, and rather colourless and menacing, look emphasising the fact the most tomes have perhaps only merited a cursory glance from their owner. Whilst the Folio Society aims to deliver rapture, its American counterparts provide status symbols.

Interestingly, Easton Press editions rapidly lose their resale value and have even turned up in sizeable piles at landfills, just as National Geographic magazines are almost never discarded piecemeal by original owners or their descendants. While craving most Folio Society editions, second-hand booksellers shun Easton Press tomes almost as much as they do books published by Time Life or Reader's Digest.

Luxury books do, however, come at a price. The average price of a Folio Society edition hovers around £40 with boxed sets easily surpassing the £100 mark. Though nowhere near the prices commanded by Kraken Opus or Taschen Books' specialty editions, their elevated cost limits the market for Folio Society books to committed bibliophiles who couldn't bear to own major literary works in mere paperback editions. In a move to broaden its appeal, the publisher no longer limits sales to members and, in a dramatic break with tradition, has begun distributing books via select retailers such as Harrods and Waterstones.

BIBLIOPHILE MILLIONAIRE

Founded in 1947 by Charles Montague Ede - a WW2 tank commander who preferred the London School of Printing to Oxford University - the Folio Society flourished after Lord Gavron (1930-2015), a millionaire, philanthropist, and life-long Labour peer known for his support of the arts, took over the business in 1982 using part of the proceeds from the sale of his St Ives Printing Group – a business he transformed from a derelict outfit worth £5,000 into a £400 million international concern churning out close to a hundred million books annually. In the years following Lord Gavron's arrival, Folio Society membership ballooned from around 20,000 to well over 150,000 which ensured the sale of at least 600,000 books annually under its (now ditched) membership scheme.

Recognised for his conservative approach to finances, Lord Gavron made his mark on history when he convinced Tony Blair in 1996 to moderate New Labour's attitude towards the business world. In an interview with The Times, Lord Gavron remembered the two things he did after making his first million: buying a Rolls Royce and then selling it. "I realised that being rich meant you can do whatever you want. Then you may discover that what you want is quite modest and you'll have to work out what to do with the rest of it." Philanthropy, discreetly disbursed, provided the answer.

A good fit in the cultured atmosphere of the society, staff were delighted to find the new owner staggeringly well-read and with a taste for literary oddities matching theirs. Moving the Folio Society into premises that matched its highbrow reputation on Eagle Street, overlooking Red Lion Square, Lord Gavron put the business on a sound financial footing without undermining its civilised character. He famously failed to stop a reprint of Edward Gibbon's massive eight-volume The History of the Decline and Fall of the Roman Empire ("History is, indeed, little more than the register of the crimes, follies, and misfortune of mankind"), cheerfully admitting that his opposition was entirely misguided since the lavishly illustrated tomes remain amongst the society's bestsellers.

DECLINE AND FALL DERAILED

However, it ultimately proved impossible to maintain the momentum. Since attaining its peak in the early 1990s, the Folio Society saw its catalogue-based marketing model undermined, first by the advent of the Internet and then, unexpectedly, by the reaction of publishers to the appearance of the e-book. Suddenly producing better quality printed books became all-important. As the niche of beautiful books went mainstream, the Folio Society was no longer master of its once exclusive domain.

However, the society is fighting back. It established a close working relationship with The Guardian, a natural fit since Lord Gavron had chaired the newspaper's board, and doubling down on quality with new titles while biding its time for digital fatigue to set in – as it inevitably must. A testament to its indomitable resolve, the society recently published a letterpress edition of Shakespeare's plays printed in Germany by Haag-Drugulin, the same centuries-old firm that produced the first editions of Thomas Mann and Franz Kafka. The 36 exquisitely finished books in the series constitute a veritable celebration of traditional craftsmanship. Volumes retail at £295 each and the society reports, happily, that sales have been brisk. Quality, it would seem, never goes out of fashion. ❇



> Bank ABC Jordan: Cutting-Edge Technology Driving Growth

Bank ABC in Jordan is a subsidiary of the pan-Arab leading banking Group Arab Banking Corporation, which is headquartered in Bahrain and has a network of offices across 18 countries in five continents.

Bank ABC Jordan offers a complete range of financial services that include retail and commercial banking, as well as treasury. It also offers investment services and brokerage in securities – both locally and internationally – and financial consultancy through its affiliate company ABC Investments (ABCI). The Bank has a network of 27 branches and 53 ATMs across the Kingdom of Jordan.

Leveraging the power of cutting-edge technology and superb customer service, Bank ABC Jordan has gained recognition for its operational efficiency and agility, and it focuses on enhancing the customer experience by offering innovative electronic services. Its most recent initiative is the move from its current online banking platform to its new ABC Digital Banking programme - a state-of-the-art platform that is faster, easier and more secure and offers a seamless and comprehensive banking experience.

Bank ABC Jordan has been a pioneer in establishing procedural frameworks that combine operational excellence, good corporate governance, and regulatory compliance. Thus, the Bank offers clients a convenient gateway to world markets and, as such, empowers business and individual clients alike through its wide international network of offices and experienced customer relations teams.



CEO: Simona Sabella-Bishouty

BANK ABC JORDAN CEO

Mrs. Simona Sabella-Bishouty is the Chief Executive Officer (CEO) of Bank ABC Jordan, Chairman of the Board of ABC Investments Company (ABCI) and a member of the Board of Directors of Arab Financial Services Company (AFS) in Bahrain, the Association of Banks in Jordan (ABJ), and the Institute of Banking Studies Jordan. She is also a member of the European Conference of Arab Horse Organizations/ Switzerland. In addition, she represents Bank ABC in the Jordan Strategy Forum.

Forbes Middle East has ranked Mrs. Bishouty number 64 amongst its lists of the top 100 Most Powerful Arab Business Women in 2016. In 2014, Mrs. Bishouty ranked 18th on the list of women in Executive Management among the "200 Most Powerful Arab Business Women" whilst in 2013 she was also selected among the "100 Most Powerful Arab Business Women" in public shareholding companies.

Mrs. Bishouty is an accomplished banker with over thirty years of experience in different areas of the financial services industry. She has been the CEO of Bank ABC Jordan since 2008. Prior to that, she was Deputy General Manager for Banking Services at Cairo Amman Bank, and worked for Bank of Jordan and Chase Manhattan Bank in both Jordan and the United Kingdom.

Mrs. Bishouty has been involved in voluntary work with the Jordanian Equestrian Endurance Society, the European Arab Horse Show Commission (ECAHO), the Financial Services Volunteer Corp (FSVC), and the Business Leaders Campaign Survey of INJAZ, a Jordanian youth organisation. ❇

> THE EDITOR'S HEROES

Heroes Fast and Thick

Whilst representing great value and the best humanity brings forth, heroes – luckily – still come fast and thick: there is, as usual, no shortage of people who insist on doing the right thing – even in the face of seemingly insurmountable odds. Take the much-maligned voter: though a fair number fell prey to demagoguery and succumbed to populism, many keep their heads cool even as the world around them – familiar and comfortable – changes at a dizzying pace, creating new realities and challenges in the process. That, given the circumstances, is a brave and even heroic attitude – and one that inspires: vast numbers of voters can still see through the clutter and reject simplistic solutions to often highly complex problems.

However, the times do call for leaders with an equal supply of courage who adhere to reason and stand up to those who peddle – naively or maliciously – solutions that may look and sound wonderful but are wholly impractical or senseless, or – worse – cater to mostly irrational gut feelings as expressed in pubs while holding a pint. Sadly, there are quite a few of those too – not quite the stuff of heroes.

During the recent diplomatic spat with Turkey, Geert Wilders, leader of the Dutch xenophobe Party for Freedom (PVV), called on Prime Minister Mark Rutte to completely sever relations with Ankara and order the Turkish embassy in The Hague closed. Mr Wilders stopped just short of demanding a declaration of war be issued. The prime-minister's reply: "You've just illustrated the difference between leading a country and proffering pseudo-solutions via Twitter." The priceless put-down sealed the election which took place a few days later with Mr Wilders' PVV coming in a distant second to the ruling Liberal Party.

This issue's heroes – a tiny and perhaps even eclectic selection out of a huge field of candidates – features people from nearly all walks of life; from screen queen Meryl Streep who dared stand up to President Trump to Professor Kwame Anthony Appiah who argues, quite convincingly, that cultural differences run less deep than is generally accepted. Prof Appiah in fact shows that humanity is one: we share most essential values and our differences are cosmetic rather than meaningful. What a most refreshing and encouraging thought.

Sharon Osbourne is lauded for her steadfastness and dedication to her, at times, rather unruly family: petite, almost fragile, Mrs Osbourne towers head and shoulders above her surroundings, keeping life on an even keel, offering meaningful support whenever needed, all the while standing strong and proud. Meanwhile, Karen Holden, a London lawyer, shares a few insights into the often obscure world of legal professionals. She turned into a rebel of sorts and set out to prove her peers wrong by setting a different example – one with a human heart and face. Lawyers are people after all (…) and we have Mrs Holden to thank for showing a softer – yet no less effective – side of the legal profession.

A famously slow writer, albeit one with an outsized imagination, George RR Martin provides a measure of literary solace, entertaining untold millions with phantasmagorical tales of a vast and complex universe set in a distant past. The creative genius behind the wildly popular HBO Game of Thrones television franchise, George RR Martin treads alongside other giants such as JK Rowling and Stieg Larsson to keep readers and viewers enthralled. As a sign of gratitude, hero status is hereby conferred upon the author.

Last – of course not least – New York Times columnist and Nobel laureate Paul Krugman reminds us that Keynesianism is not dead, yet. Raising formidable arguments against the austerity fad, Mr Krugman shows – and proves – that anticyclical government spending can be leveraged as a powerful force to protect against the social fallout of economic downturns. In fact, Mr Krugman argues that the preservation of the social fabric of crisis-ridden societies is essential if such countries are to ever bounce back. Not quite fashionable, or welcome, in today's world, Mr Krugman deserves a wide audience. After all, the approach first suggested by British economist John Maynard Keynes is as powerful today as it was in the late 1940s when it managed to resurrect entire economies destroyed or impoverished by war. ❊





> SHARON OSBOURNE

Lending a Strong Arm to Heavy Metal

The formidable power behind the throne of rock and roll's enfant terrible Ozzy Osbourne, she is credited with, repeatedly, rescuing her husband's erratic career and laying the groundwork for a veritable business empire that made her one of Great Britain's five wealthiest ladies, according to The Sunday Times Rich List. For, if anything, Sharon Osbourne is a lady, albeit perhaps an unconventional one.

Mrs Osbourne's unlikely rise to fame, and fortune, came after she negotiated a deal with MTV for The Osbournes, a first-generation reality show that aired on the television network between 2002 and 2005 in weekly instalments portraying the hectic, confusing, expletive-laden, yet strangely well-structured, family life of a rock star family.

Just as the fictional The Sopranos offered a glimpse into the domestic affairs of a mob crime boss, The Osbournes appealed to the voyeuristic streak most reality television viewers share. Providing a backbone to the unruly family, Sharon Osbourne almost immediately became the star of the show – the only 'together' member of an altogether dysfunctional family. Diminutive, yet indefatigable, Sharon Osbourne used the show, and the fame it rekindled, as a springboard for a number of business ventures centred around top-tier media productions.

Invited to host a number of talk shows in both the UK and the US, Mrs Osbourne fared less well due to her, purported, inability to stick to scripts and refusal to take orders from cue cards. She proved more successful as a judge and mentor on the UK edition of the X-Factor and America's Got Talent.

Mrs Osbourne proved her own talent, for business, as she almost singlehandedly rescued her husband's career which had become stuck after the vocalist was fired from rock band Black Sabbath in 1979 for substance abuse. The daughter of a music promoter, Mrs Osbourne recruited a new band and relaunched the previously abandoned Blizzard of Ozz project, getting the vocalist back in the studio to record the new album which promptly stormed the charts.

A string of hit albums followed. By now, Mrs Osbourne had launched her own management agency which was soon hired to inject new life into the careers of a number of rock bands such as Motörhead and The Smashing Pumpkins. She did, however, dismiss similar career guidance requests from Guns N' Roses and Courtney Love.

Sharon Osbourne Management also manages the wildly popular Ozzfest tour, the centrepiece of Mrs Osbourne's strategy to return, and keep, her husband in the limelight. However, the Ozzfest only got its start after the Lollapalooza Festival refused to sign him on for being past his prime, too drugged up, and "uncool". Now approaching its twentieth iteration, Ozzfest Summer Touring Festival has become a globe-trotting show offering fans in the US, Europe, and Japan a taste of the crop of heavy metal.



Photo: © Brian Aris

Earlier this year, Mrs Osbourne was instrumental in arranging one last show of the original Black Sabbath band – or what's left of the group – in its home city Birmingham – the culmination of a world tour aptly named The End. After fifty years in the music business, one of its most rowdy chapters was closed when Black Sabbath, reunited with its frontman in 2011, took to the stage for one last time to deliver its signatory blend of heavy metal, psychedelic rock, and blues. After the show Mrs Osbourne commented: "I first saw them when I was 16. Now, I'm 64. Where has my life gone." This quote was sanitised for editorial reasons. As it happens, Mrs Osbourne's life with numerous ups and downs, has been an inspiration to many as she battled, and overcame, domestic violence, alcoholism, extramarital affairs, cancer, and a plane crash to emerge victorious, fully in charge of her own destiny and that of her family. Her autobiography Extreme remained at the top of the Sunday Times Bestseller List for fifteen weeks, selling more than 620,000 in the UK, and smashing the previous record set by David Beckham. Two more autobiographies – Survivor and Unbreakable – followed the success of the first one and attest to the resilience of a rather unlikely heavy metal groupie-turned-wife and impresario.

"Just as the fictional The Sopranos offered a glimpse into the domestic affairs of a mob crime boss, The Osbournes appealed to the voyeuristic streak most reality television viewers share."

> GEORGE RR MARTIN

Master of Character



He created a vast universe out of thin air, provided it with an intriguingly rich and diverse society, and put a bewildering number of dynasties in charge of it all. The world he shaped has the world in thrall.

George RR Martin of Game of Thrones (GoT) fame is not a garden-variety novelist. A master of character development sans pareil, Mr Martin takes his time to craft and weave a storyline across multiple dimensions. The runaway success of GoT – now ready for its anxiously-awaited seventh season on HBO television – is invariably ascribed to the plot's unique blending of high drama and a slight touch of magic, just enough to set the pace and keep audiences hankering after more.

In a 2011 interview with The Guardian, Mr Martin explained that the ultimate fate of Westeros and its people remains a mystery. He belongs to the gardening variety of writers who dig a hole, plant a seed, and keep watering it, all the while wondering what will sprout. "I am certainly not an architect-type writer who plans everything, up to the smallest detail, ahead of time and constructs the entire edifice before putting pen to paper."

JK Rowling is such an architect. She worked three years on tracing the precise trajectory of Harry Potter before writing The Philosopher's Stone (1997) – the first book in a series of seven. Whilst architect writers' approach to their craft is meticulous and mostly set in, well, stone, gardeners have no clue where their story will end up: "They find that out as it grows." Sometimes, the creative gardening process gets out of hand with books running to beyond 1,500 pages. In a 1993 letter to his publisher, Mr Martin stated that he is likely to lose all interest in pursuing a predetermined storyline: "I do, however, have some strong notions as to the overall structure of the story I'm telling, and the eventual fate of many of the principle characters in the drama."

This fluid method allows the writer to richly flesh out characters as the storyline unfolds, adding traits almost at will. Maintaining an open canvas also enables Mr Martin to push the envelope in any direction he chooses: "Once he puts it all into a cohesive story, then he says 'I have done it, I can't revisit it because I'm going to be bored.' He experiences the story as he writes it and he wants to be able to surprise himself to some extent or get new ideas along the way," explains Linda Antonsson who, with Mr Martin, co-authored A World of Ice and Fire (2014), a companion book to the A Song of Ice and Fire fantasy series from which GoT is extracted.

Back to gardening and its inherent risks. What started out as a trilogy became a much larger work when Mr Martin suddenly discovered that even at 1,400 pages he had failed to reach the halfway point of his story. With characters strung out over an immense world, the writer also faced a challenge in meshing the various storylines and bridging time gaps in the sprawling narrative. The fourth book – the first one of the second trilogy (…) – A Feast for Crows, published in 2005, immediately claimed top spot on bestseller lists the world over. By now, Mr Martin had gained iconic status, not least after he was tipped as the next JRR Tolkien whose The Lord of the Rings trilogy had enjoyed renewed popularity after being released as three blockbuster movies between 2001 and 2003.

Propelled to fame, Mr Martin struggled with time management, eventually ditching his involvement with the GoT television franchise to concentrate on finishing the next two or more instalments of the book series. No longer involved with script writing, Mr Martin has promised his legion of fans in January that The Winds of Winter will be finished before the year is out. The risk now is that the plot of the HBO series will diverge significantly from the events in Westeros and environs as depicted in the books – a highly unusual situation and, perhaps, an unexpected boon to readers and viewers alike who may shortly delight in two distinct narratives. Confusing, no doubt, but such is the world of the gardening writer and his followers.

"What started out as a trilogy became a much larger work when Mr Martin suddenly discovered that even at 1,400 pages he had failed to reach the halfway point of his story."

> KAREN HOLDEN

Upending the Legal Industry

Lawyers, right? Perhaps, not the most loved of professions. Everybody, or so it would seem, has a story to tell about some less savoury member of the legal trade. Still, according to the latest Veracity Index, compiled annually by the pollsters at Ipsos MORI, lawyers don't do all that bad: fully half of those queried trust them to tell the truth. Politicians and government ministers are at the bottom end of the index, whilst physicians bask in the public's trust at the other end of the scale.

Lawyers, then, are not so bad after all. Karen Holden (40) is doing her bit to improve the profession's standing. Disgusted by the prevailing bottom line culture and mindset at big law firms, she exited the world of large-scale corporate law to start her own boutique outfit – "a very scary proposition" – based on a deceptively simple, yet novel, idea: giving clients the service they deserve (and, presumably, pay for).

A City Law Firm, founded in 2009, has proved a hit in more ways than one. Replacing the money of the business with trust and respect for both clients and staff, has allowed self-proclaimed mumpreneur to do what she likes best: push the boundaries of the legal profession, broaching new frontiers, and offering exquisitely tailored solutions to issues that other largely ignore or dismiss as too esoteric.



Photo: The University of Law

A lawyer motivated by the sheer beauty of the law is a rarity indeed. "At big law firms, associates are often discouraged to set their own agenda or pursue interests in legalities that do not promptly impact the bottom line. That approach, regrettably, can lead to a dulling of the senses and run-of-the-mill outcomes. Yes, results are obtained this way, but their quality could have been so much better."

At A City Law Firm, Mrs Holden allows, and encourages, staff members to freely explore novel tactics to square away any given issue. Flexibility and a multidisciplinary are central to the firm's approach. Another innovation pioneered by Mrs Holden is her insistence on maintaining a strict separation between personal and private spheres: "A happy workplace greatly contributes to entrepreneurial success and quality outcomes. Having staff plugged in 24/7 does not make such a workplace. In order for us to consistently deliver peak performance, we need a rest every now and then. It is a fallacy to think that clients are best served with professionals who are always on the go."

Akin to blasphemy in the high-octane London legal world, the relaxed, yet focused, approach introduced by A City Law Firm is yielding good dividends. The firm has just moved into its own building – no mean feat in London – and manages to retain its professionals better than most. "We emphasise life-long education and personal development. That means, professionals who are in it for the love of their craft seldom wish to jump ship, whilst those seeking to maximise billable hours – to the detriment of the client – are kept away. That's how we like it."

Business has been good, if not booming. Word of mouth worked its wonders and steadily, clients have found their way to A City Law Firm with business streaming in from Hong Kong, New York, Dubai, Gibraltar, and the Caribbean. The firm also found its own niche – helping businesses deal with the legal aspects of new technology. "This constitutes an exciting new field, essentially uncharted territory. The speed at which technology developments is such that the law cannot keep up. That, in turn, creates all sorts of risks to both companies and their investors. We help to temper the initial excitement that usually accompanies the unveiling of the next-greatest thing. That excitement may blind businesses to risk factors which may end up affecting their sustainability or clash with risk mitigation frameworks."

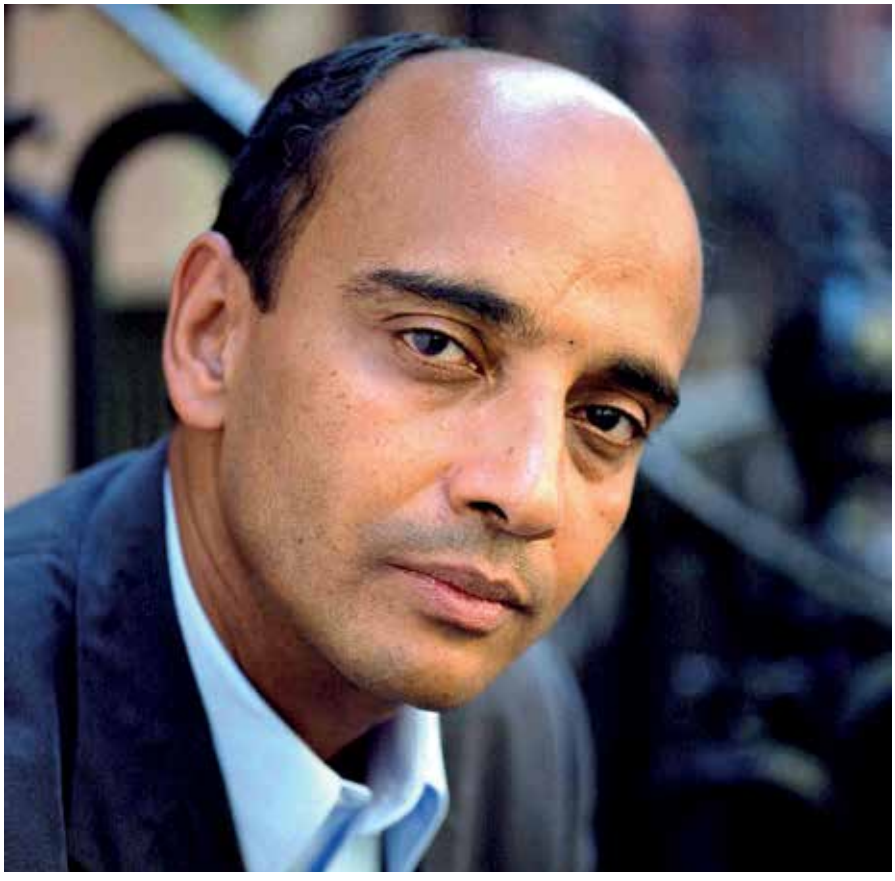
It used to be – once upon a time – that the legal profession was the preserve of classicists – artists, really, who diligently studied history to decipher the thoughts and philosophies that went into the organisation of society and ensured its progress. The difference between the letter and spirit of law – that fertile hunting ground of lawyers – offered an opportunity to experiment, probe, and establish jurisprudence. Any effort to rescue law – that most noble of pursuits – from the clutches of bean counters and other assorted miscreants is both welcome and desirable. Mrs Holden, by declaring her independence from Big Law, may be somewhat of a quixotic rebel; however, she may just be destined to remind her fellow lawyers of their chosen profession's beauty and its importance – if done right.

"At big law firms, associates are often discouraged to set their own agenda or pursue interests in legalities that do not promptly impact the bottom line. That approach, regrettably, can lead to a dulling of the senses and run-of-the-mill outcomes. Yes, results are obtained this way, but their quality could have been so much better."

> KWAME ANTHONY APPIAH

Universal Values

Offering help to those in need may perpetuate misery and dependency. Whilst the largesse of donors often can address immediate needs, sustained efforts at providing assistance usually fail to attain the desired outcome – people remain poor and nations underdeveloped. Thus, kindness to strangers may ultimately prove futile. Professor Kwame Anthony Appiah (63) urges people and nations to take full responsibility for their own actions. A cosmopolitan in heart and mind, the professor argues that governments must be made to serve and further their nations' best interests. Countries struggling to attain a modicum of prosperity should, at most, receive assistance on the theory and practice of good governance.



Prof Appiah's pragmatic approach to the human condition is not universally popular. In fact, the British academic caused a small firestorm when he stated, rather boldly but not without reason, that western civilisation as it is generally understood does not exist. The celebrated ideal is not quite what it seems.

In Mistaken Identities - one of last year's Reith Lectures broadcast by the BBC - Prof Appiah unravels the many myths and misconceptions surrounding the concept of western civilisation, concluding that its core humanistic values are, essentially, universal ones that may readily be applied to any culture and adopted by people of any creed, race, or nation.

In this era of rising populism, Prof Appiah's message is an important one: values such as democracy, tolerance, rational inquiry, and liberty are not a birth right; they need to be actively cultivated, studied, cherished, and used in order to be preserved. Moreover, such values are, Prof Appiah argues, not the hallmark of the west: "The modern concept of western culture largely took its present shape during the cold war. We forged a grand narrative about Athenian democracy, the Magna Carta, Copernican Revolution, and so on – weaving a direct line from Plato to NATO."

Western civilisation was understood to be liberal, tolerant, democratic, and progressive although Europe was none of these things until the turn of the last century. Spain, to take but one example cited by prof Appiah, resisted the advent of liberal democracy until well into the 1970s, by which time, it had already firmly taken hold in India and Japan – part of The East and purportedly the cradle of Oriental despotism. Conversely, the American Founding Fathers' love of Anglo-Saxon freedom and Athenian liberty did not stop them from creating a slave republic.

The western narrative that connects the thoughts and ideas espoused by Plato, Aristotle, or Saint Augustine to the present day world may be entirely correct, but that does not guarantee their longevity. "It is delusional to think that enjoying mere access to these values keeps them alive indefinitely."

In a distant past, the centrality of Aristotle's teachings to Islamic thought went unquestioned. Early Muslim theologians such as Averroes, Alpharabius, Alkindus, and Avicenna considered the Greek philosopher their 'first teacher' and built upon his work to formulate a Muslim philosophy that, in turn, influenced and inspired Thomas Aquinas and many others (Heidegger, Kant, Dante). Yet today, Aristotle features not even as a footnote amongst Islamic scholars.

That said, the Aristotelian essence is still present in Muslim culture and may be easily revived, "should people elect to do so," says Prof Appiah: "These values are only ours if we care about them. They represent choices to make, not tracks laid down by a western destiny."

Cramped on a warming planet adrift in a universe of unimaginable size, some seven billion people can no longer afford to ignore the cosmopolitan impulse that originates from our common humanity. According to Prof Appiah it is hard, if not impossible, to improve on Publius Terentius Afer – Terence the African, a freed Roman slave of Berber descent and a celebrated playwright. In The Self-Tormentor, his second play (or third – historians disagree) first performed in 165 BCE, one of the characters, apologising for his intrusion onto the scene, is quoted saying: "I am human, and nothing of that which is human is alien to me" – cosmopolitanism in a nutshell. An idea in urgent need of rescue.

Professor Kwame Anthony Appiah holds an appointment at the Philosophy Department of New York University. Foreign Policy Magazine rated him one of the world's top thinkers. In 2012, Prof Appiah received the National Humanities Medal from then-US President Barack Obama during a ceremony at the White House.

"A cosmopolitan in heart and mind, the professor argues that governments must be made to serve and further their nations' best interests."

> MERYL STREEP

Inexplicable Magic

She takes no prisoners and is terrifying. At this year's Screen Actors Guild Award in Los Angeles, Hugh Grant confessed to being properly intimidated by Meryl Streep, his co-star in the 2016 British comedy-drama Florence Foster Jenkins. "Normally, people you're frightened of get better in reality, when you meet them it is often not as bad as you thought. This, however, was frightening throughout. I'm still frightened of her."

Not so US president Donald Trump who branded the grand dame of Hollywood "overrated" after she chided the then-president-elect for mocking a disabled reporter. Adding his voice to the abuse hurled at Mrs Streep on social media, Mr Trump also called the actress "flunky" and denied he ever made fun of a disabled person: "Couldn't do it."

In her acceptance speech for the Cecile B DeMille lifetime achievement award at the 2017 Golden Globes, Mrs Streep (67) cautioned against the erosion of moral values. Whilst not mentioning Mr Trump by name, the actress stressed that the occupant of the "most respected seat in the country" gave a performance – imitating a disabled reporter – that sank her heart: "I still can't get it out of my head because it wasn't in a movie. It was real life."

"This filters down into everybody's life, because it kind of gives permission for other people to do the same thing. Disrespect invites disrespect. Violence incites violence. When the powerful use their position to bully others, we all lose."

One of only six actors to have won three Academy Awards, Meryl Streep is considered the voice of the Hollywood liberal elite, even though the Los Angeles Times tentatively concluded no such body exists. The paper's year-long investigation into the film industry's portrayal and espousal of American values started off on the premise that Hollywood is merely an industrial complex run by white men for the benefit of their peers. "These men prefer to make films and television shows about other white men, who are often alienated, wield guns, and fight to survive as individuals against a corrupt or sinister system," wrote columnist Mary McNamara.

Still, the perception not only lingers but has intensified since Donald Trump took up residence in the White House. Meghan McCain, daughter of the senator and 2008 Republican presidential nominee John McCain, promptly tweeted: "This Meryl Streep speech is why Trump won. And if people in Hollywood don't start recognising why and how — you will help him get re-elected."

However, anyone less out-of-touch with moral values than Mrs Streep is hard to imagine. She enjoys a well-earned reputation for directness,



established during the shooting of Out of Africa when she took on – and triumphed over – director Sydney Pollack (1934-2008). "She was so direct, so honest, so without bullshit. There was no shielding between her and me at all," remembered Mr Pollack afterwards.

Whilst the film proved a hit at the box office and received much acclaim, a few critics remarked that Meryl Streep somehow never seemed to play herself. Her technical finesse of the seventh art is such that the persona disappears – or morphs seamlessly into the character portrayed. Yet, Mrs Streep is decidedly not devoid of personality. She has battled against the popular notion that the US film industry is a last bulwark of progressive liberal elites, drawing attention to the modest origins of most of her fellow movie stars and their political diversity.

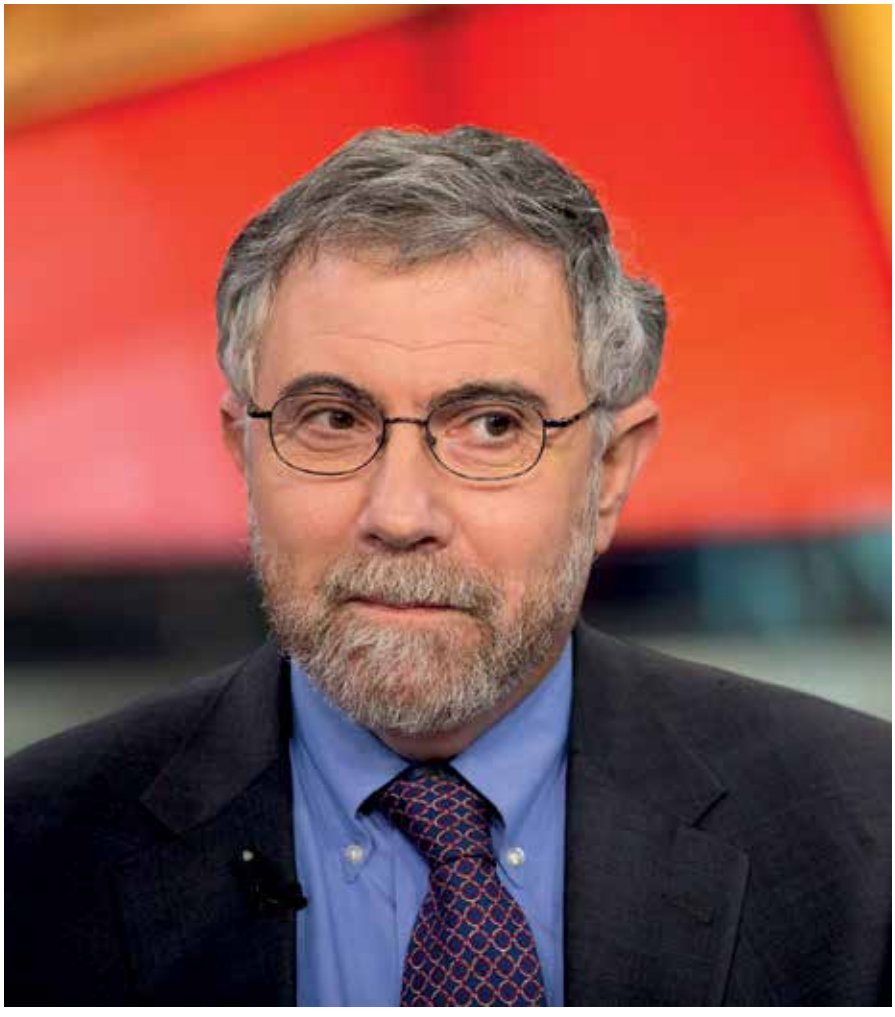
Mrs Streep has long advocated for women's rights and donated her one million dollar fee for The Iron Lady – in which she memorably portrays Margaret Thatcher – to the National Women's History Museum. She also established two scholarships at the University of Massachusetts Lowell for English and Math majors. Quite exceptional for a well-known personality in the US, Mrs Streep admits to not belonging to any church, temple, or synagogue, saying that she doesn't believe in the power of prayer: "It's a horrible position as an intelligent, emotional, yearning human being to sit outside of the available comfort. But I just can't go there." She does, however, believe in "love and hope and optimism – you know, the magic things that seem inexplicable." Nothing, though, to be afraid of.

"Meryl Streep is considered the voice of the Hollywood liberal elite."

> PAUL KRUGMAN

The Last of the Keynesians

He doesn't hold out high hopes for the Trump presidency: in fact, calamity is on the horizon. Barely a month into the Trump Administration, economics professor and New York Times columnist Paul Krugman concluded that the high and exalted office has failed to rub off on, or ennoble, the real estate tycoon: "Every day brings further evidence that this is a man who completely conflates the national interest with his personal self-interest and who has surrounded himself with people who see it the same way. Each day also brings further evidence of his lack of respect for democratic values."



Mr Krugman (64) writes and speaks with considerable authority. In 2008, he was awarded the Nobel Memorial prize in Economic Sciences for his research on trade flows and economies of scale. A prolific as well as opinionated writer, Mr Krugman authored over twenty books and many hundreds of columns and essays. A self-styled modern-liberal, the New Yorker played a minor role in the formulation of 198s Reaganomics – an episode he remembers as both thrilling and disillusioning: "Already then, I was quite convinced – as I am today – that the welfare state represents the most decent economic arrangement yet devised."

That opinion makes Mr Krugman an instant outsider in a world obsessed with – though not addicted to – fiscal probity. Mr Krugman is an unabashed social democrat – and as such, an oddity in the United States – who incessantly argues that capitalism needs to be saved from itself to the benefit of all people – as opposed to the oligarchic few.

Considering President Trump's proposals for the US economy as "Reaganomics on steroids", Mr Krugman fears that the white working (or salaried) class that propelled him to the White House is in for a rude awakening: "They are about to be betrayed and won't be happy for long. The numbers tell an interesting story. Thanks to Obamacare, the number of uninsured Americans fell by thirteen million. Whites without a college degree, who voted for Trump by a two-to-one margin, account for almost two-thirds of that decline. That means around five million Trump supporters just voted to makes their lives nastier, more brutish, and shorter."

Most may not have fully understood what was at stake, or believed Mr Trump's repeated assurances that he would replace Obamacare with something "great". It never fails to amaze Mr Krugman how many voters insist on self-harm. The gullibility with which simplistic solutions to complex issues are accepted as the ultimate truth, lays bare an inconvenient truth in politics: demagoguery wins. It just happens that Donald Trump, for all his shortcomings, is a marketing genius.

Of late, Mr Krugman has attracted significant flack when debunking fallacies in economic thinking. The myth of trickle-down economics is one of his favourites bugbears as is the more recent window dressing by the Trump Administration: border taxes and strong arming corporations to stay at home are to Mr Krugman a sure-fire way to undermine US productivity – and by extension prosperity – levels. Contrary to popular perception, Mr Krugman was no fan of President Obama and his economic take. He thought the stimulus plan that followed the 2008 financial crash too small in relation to the size of the US economy and too tilted to providing relief to the financial sector.

Though he advocates free trade, Mr Krugman did suggest subjecting imports from China to a surcharge in order to compensate for the country's insistence on keeping the exchange rate artificially high, thereby indirectly subsidising Chinese exporters. A Keynesian through and through, Mr Krugman never tires in criticising governments that in times of crisis chose fiscal austerity over full employment: "lives are blighted by the absence of jobs as recessions turn into depressions. When caught in a downwards spiral, the only feasible solution is to provide stimulus via increased expenditure. Not doing so, affects the social fabric of society and causes damage that, of not irreparable, always proves very expensive to repair."

"Considering President Trump's proposals for the US economy as "Reaganomics on steroids", Mr Krugman fears that the white working (or salaried) class that propelled him to the White House is in for a rude awakening: "They are about to be betrayed and won't be happy for long."

Mexico: Strong Performance

By Wim Romeijn

Reverting to its business-as-usual mode after a hiccup caused by the political sea change north of the border, Mexico's economy displays a confidence-inspiring resilience, notching up a non-oil trade surplus of almost $650m in February that beat market expectations by a billion or so dollars and took analysts by surprise. Exports to the US were up by 3.9% for the past twelve months with the peso quickly recovering to its pre-election level after suffering a slump in the wake of the Trump Administration's initial bravado on border taxes and other protectionist measures to redress perceived trade imbalances.





The Mexican economy remains buoyant, with GDP year-on-year growth approaching 3% thanks to strong performances by the manufacturing and agriculture sectors. Markets are, however, held back by the US administration's stated intention to renegotiate the 23-year old North American Free Trade Agreement (NAFTA) and introduce as of yet unspecified 'border adjustment' taxes to discourage US companies from diverting operations to Mexico. Details are expected to be released in May or June.

Although the Trump Administration has recently toned down its trade rhetoric, the uncertainty looms large. Pundits take heart from President Trump's recent failure to ditch Obamacare, arguing that inertia will also prove to be a powerful force in trade policy. US agriculture lobby groups have warned the administration against tinkering with NAFTA for fear of losing access to the sector's top export market.

Meanwhile, Deputy Minister for Economic Affairs Juan Carlos Baker has raised the possibility of Mexico fast-tracking free trade deals with Brazil and Argentina – the United States' main competitors in the global corn trade. Mexico currently imports 98% of its corn from the US. Some 130 agriculture associations and trade groups have petitioned the Trump White House for a seat at the negotiating table in an attempt to clarify the importance of free trade. Earlier, President Trump called NAFTA "probably the worst trade deal ever agreed to, signed, in the history of the world."

California's citrus and avocado growers have been among the most vociferous in their condemnation of the administration's emphasis on economic nationalism, pointing out that the sector needs Mexican labour to support the state's $35bn agriculture economy. An estimated 75% of California farm workers are undocumented immigrants from Mexico. The avocado growers also point out that their farms are able to meet only about 10% of domestic demand with the remainder supplied by Mexico.

Mexico-US cross border trade amounts to some $525bn overall, making for an economic interdependency that stretches beyond mere trade numbers with tightly integrated supply chains crisscrossing the Rio Grande, maximising efficiency – and profitability. Former World Bank Chief Economist and Treasury Secretary in the Clinton Administration Larry Summers warned that the abrogation of NAFTA would constitute a 'great strategic gift' to China: "About seventy percent of goods imported from Mexico are not finished products but inputs for US-based manufacturing. Slapping taxes on these imports hurts US and Mexican businesses by undermining their competitiveness vis-à-vis the Chinese."

"Over the past two decades, the economic infrastructure along the US border has been significantly upgraded and expanded, attracting scores of investors to the region and pushing up growth rates."

Additionally, there is a geopolitical dimension to NAFTA, often overlooked in Washington. As China demonstrated with Venezuela, it is willing to bankroll Latin American nations alienated by the US with tens of billions in trade and other favours. The Chinese poured well over $60bn into Venezuela in order to buy its friendship and support in multilateral forums. That said, there is a case to be made for updating the original 1994 treaty to strengthen rules of origin, labour standards, and dispute settlement mechanisms. With tariff walls averaging barely 3%, NAFTA is not so much about eliminating taxes levied at borders, as it is about reducing red tape and ensuring hassle-free processing of trade.

The Trump Administration's toning down on Mexico has not only boosted the peso, but also avoided a downgrade of the country sovereign credit rating with Standard and Poor's maintaining its BBB+ rating, albeit with a negative outlook – two notches above investment grade.

NAFTA, for all its perceived shortcomings, ushered in an era of stable and mutually beneficial relations between two countries more often than not at odds. In the first half of the last century, Mexico – already deprived of its northern territories – repeatedly suffered US invasions (Vera Cruz, 1914, and General John J Pershing's 1916 incursion in hot pursuit of rebel leader Pancho Villa whom he failed to capture); was courted by Germany (the 1917 Zimmerman Telegram) for a grand alliance with Japan against the United States; and countered in 1938 with the nationalisation of its oil reserves – a move largely affecting US interests.

Whilst points of friction remain – the drugs trade, illegal immigration, and arms smuggling, amongst others – NAFTA has brought a stability to the border not previously attained. Mexico's northern border states and a broad corridor running towards Mexico City is now home to Latin America's largest – and most competitive – industrial base which, for example, exports more vehicles than any country except Germany, Japan, and South Korea. Adhering to impeccable orthodoxy and boasting a stable political system, Mexico has managed to barrel ahead, even during periodic regional downturns, and diversify its economy away from its dependence on oil.

Over the past two decades, the economic infrastructure along the US border has been significantly upgraded and expanded, attracting scores of investors to the region and pushing up growth rates. Overall, however, Mexico's GDP has expanded only moderately due to lagging progress in the southern half of the country. In a recent report, global management consulting firm McKinsey & Company detected the existence of two Mexicos: a modern, fast-growing, and highly productive economy, and a traditional low-tech and low-productivity one pulling in the opposite direction.

In A Tale of Two Mexicos: Growth and Prosperity in a Two-Speed Economy, McKinsey researchers laud the country for its sustained effort to create – and maintain – a welcoming business environment but caution that lagging productivity is likely to restrict future growth unless way can be found to address the issue.

Barrelling ahead even so, Mexico in early April opened negotiations with the European Union to update and broaden the free trade agreement signed in 2000. Though in the pipeline since 2013, EU and Mexican officials have expressed a desire to swiftly conclude talks in light of the increasingly troubled trade relationship with the US of both partners.

EU ambassador Andrew Standley said he expects the deal to be concluded later this year. The country is also reaching out to Russia which has shown interest in significantly boosting its imports of Mexican beef and pork, currently running at some $250m annually. Mexico's membership of the Pacific Alliance – together with Colombia, Peru, and Chile – has also helped diminish the country's trade dependency on the United States. The alliance is increasingly seen as a club of Latin American winners and has been particularly proactive in tightening economic integration with Asian markets – another venue Mexico is eager to explore as it looks for ways to pre-empt protectionist moves by the Trump Administration. ❊

"California's citrus and avocado growers have been among the most vociferous in their condemnation of the administration's emphasis on economic nationalism, pointing out that the sector needs Mexican labour to support the state's $35bn agriculture economy."

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> Mexico:
Open for Business

Mexico is hot property with an increasing number of companies returning to the country after a sojourn in China or elsewhere in Asia, seeking exposure to the country's upsides.

After a decade of manufacturing companies following the lure of low-cost labour to Asia, Mexico is now experiencing a growth in its manufacturing sector as companies return and Asian businesses start up production facilities in Mexico. An evaluation of possibilities shows three main reasons for this shift.

Location, Location, Location

Although the location of Mexico on the border of the world's largest market has not changed, the true costs of moving to Asia may not have been truly realised until manufacturing operations had already shifted some 7,000 miles (up to three months of shipping time) away from North America. There is, of course, the most obvious effect of increased shipping costs: it is simply more expensive to move products from Asia to North America by ship versus a hop across the Mexico-US border via rail or truck. However, some other not-so-obvious costs associated with bridging large distances have greatly affected product cost. Up to three months of inventory in transit on ships represents both a high monetary cost and an associated opportunity cost. As the world's manufacturers move more and more to just-in-time manufacturing and delivery models, the costs of having goods bobbing on the high seas become more visible to a company's bean counters. There is always a use for money in companies, and funds that are "stored" in the form of goods in transit could be used for research and development, or other corporate pursuits. These opportunity costs, as they are known, can be very high depending on the value of the products being shipped. The three-month transit time also reduces a company's ability to be agile and adaptive to changes in the market.

When manufacturing quality, or design problems, do occur, a company is forced to either air-freight replacements or set up a re-manufacturing/ service centre in North America. Air-freighting up to three months of inventory to cover bad products in shipping containers on the water can prove to be very expensive. The logistics and costs of setting up a re-manufacturing site add costs and time to the delivery of final product. Should



air-freighting or re-manufacturing become cost prohibitive, ninety days' worth of product may have to be scrapped.

Costs associated with travel for management, engineering staff and other company employees is also much higher to Asia than it is to Mexico. It is a fact, that even though we live in an age of teleconferencing, email, and cell phones, there are times at which on-site visits, both planned and unplanned, to manufacturing facilities are necessary. Instead of one day of travel to and from Mexico, traveling to Asia requires at least two days of transit, incurring direct travel expenses as well as costs associated with having an employee unavailable during travel. Mexico does not have the time zone differences that are associated with Asia, making same-day communication a reality.

Cost of Labour

Mexico is once more at an advantage over some Asian countries in terms of total cost of labour. According to the Boston Consulting Group, when manufacturing labour costs are adjusted for productivity, Mexico's labour costs are roughly two thirds those in China. Before, lower labour costs could overcome the lower productivity of labour in Asia, however, with the rising cost of labour in Asia experienced over the last decade, the scale has tipped in favour of Mexico.

Mexico's Stable Pro-Business Environment

Mexico has a very good track record in the realm of intellectual property right law. As a signatory to NAFTA, the Universal Copyright Convention, and the Berne Convention, a company's intellectual property, such as patents and copyrights, are fully protected, as well as industrial property rights such as industrial designs and utility models.

In 2013, Mexico modified its constitution to allow the privatisation of its energy sector. This has driven down electricity prices charged to manufacturers. The IMF estimated that more than half of Mexico's power output is destined for the manufacturing sector. Any reduction in costs will directly and positively affect the bottom line of companies.

Mexico's manufacturing centres have become organic clusters of skilled and stable work forces. As manufacturing companies have become established in cities, they have created a demand for technically skilled workers, engineers, and managers. Local technical schools, universities, and colleges – in concert with local and state governments – have risen to the challenge of providing those employees with the education needed to compete on the world stage. In many cases the manufacturing companies themselves will work directly with educational institutions to help provide the students well-versed in the latest technologies used and demanded by employers.

Given the sum of the three concepts outlined her, it is no wonder why companies that have tried manufacturing in Asia, as well as, Asian manufacturers, are turning to Mexico to provide the best return on their investments.

MARAN GROUP: CONTINUOUSLY EMPOWERING BUSINESSES

The Maran Group is headquartered within its flagship Maran Industrial Park in Mexicali, a manufacturing centre totalling almost two million square feet under roof. The state-of-the-art, purpose-built, and climate-controlled facilities each day welcome over 8,000 employees. The client roster of Maran Industrial Park is replete with some of the biggest names in manufacturing such as Mitsubishi, General Dynamics, Newell Brands, Honeywell, and SKB. In 2016 alone Maran Industrial park grew by four large new buildings and a new four-level parking facility measuring over 180,000 sq ft for the use of Maran clients' employees.

`Maran Group was conceived by Mr Mario Teran del Rio, a son of Mexicali, who recognised almost forty years ago the advantages that Mexicali would have in the future as a manufacturing base for companies looking for a production facility, warehouse, or office site in Baja California.

Mexicali is a manufacturing hub located on the Mexico-US border, some 100 miles east of San Diego, CA. It is home to over 900 companies employing close to 300,000 people. Mexicali offers excellent transportation infrastructure for marine, rail, or trucking to North America and worldwide markets for the goods produced in the area. Whilst great logistics are important, it is the people of Mexicali that have led to the growth of design and manufacturing in the area.

The city of Mexicali has over 17 universities and trade schools, giving companies a steady supply of highly trained engineers, technicians, and managers. These school often partner with particular industries to ensure that their students have experience in the newest technologies and theories upon graduation. The ready availability of a skilled workforce has led to the organic development of high-tech industry clusters including bio-tech and aviation. As well as human resources, Mexicali has natural resources as well, such as abundant water, natural gas, and cheap green electricity produced by geothermal generators located southeast of the city.

For companies new to Mexico, the Maran Group offers its expertise to help provide a soft landing. Maran Group has long-standing professional relations throughout the community and can help introduce new clients to governmental, legal, logistical, human resources, and freight forwarding services. Maran Group will work with the client to help design and build a facility that will ensure that manufacturing and logistics processes run smoothly and efficiently, thereby reducing costs and increasing productivity. Maran Group has an additional thirty hectares of land ready for development in Mexicali.

On the outskirts of Tijuana, the Maran Group also has some 260 hectares of land that, by next year, will be connected by rail directly to the port of Ensenada and is ready for immediate development.

Maran Group's philosophy is to handle all client relations with an eye towards establishing long term business relationships. The company has been very successful with this philosophy: over three quarters of its clients have been in the park for twenty years or longer and are still growing in partnership with Maran Group. ❇

MARAN GROUP

> Grupo Elektra:

Corporate Social Responsibility in Action

grupo elektra

Grupo Elektra is Latin America's leading financial services provider and specialty retailer as well as the largest non-bank provider of cash advance services in the United States. The group operates more than 7,000 points of contact in Mexico, the United States, Guatemala, Honduras, Peru, Panama, and El Salvador.

Both the financial division and the commercial business of Grupo Elektra have the mission to add important economic, social, and environmental value.

On the economic front, Grupo Elektra generates annual revenue in excess of MXN$80 billion ($3.9 billion), with a robust 17% EBITDA margin, by means of meeting customer needs with world-class financial products and top quality merchandise. Its business strategy is determined by an experienced board of directors and a committed management team.

Grupo Elektra's board of directors' consists of people with proven experience in successful businesses. The board monitors and evaluates the actions and objectives entrusted to management. Grupo Elektra's board has nine members of which three are independent, representing 33% of total.

Since 2003, Grupo Elektra adopted a code of ethics applicable to board members, executives, and employees. The code ensures that decision making processes and follow-up implementation are carried out to the greater benefit of the company and not for personal purposes. The standards and vision established in the code form the essence of the group and offer tools that generate economic, social, and environmental value in a transparent manner for the stakeholders and the society that they serve.

Grupo Elektra has major processes and controls that mitigate risk which include business continuity plans, contingency manuals, civil protection, and a comprehensive risk management unit.

To foster transparency, effective communication, and regulatory compliance, Grupo Elektra and its subsidiaries have implemented various controls, policies, and procedures that ensure its ethical conduct in all spheres of operation.

The company firmly believes that honesty is the basis of relationships of trust and respect, and that it is an indispensable factor in teamwork and credibility. As part of the effort to promote honesty within the company, Grupo Elektra has placed communication tools for listening and dialog, ethical advice and complaints at the disposal of board members, managers, and employees, making it possible to preserve the ethical and honesty criteria which govern the institution.

> The company seeks to offer innovative, profitable, and sustainable solutions that ensure satisfaction and generate economic, social, and environmental value for all stakeholders.

The company also maintains a Global Illegal Finance Prevention Unit. Its financial subsidiaries are firmly committed to full compliance with anti-money laundering and anti-terrorism financing laws and provisions in each country where it operates.

As a corporate citizen, Grupo Elektra is part of associations of national and international stature, that promote ethical and sustainable development, integrity, and healthy competition for the benefit of individuals, businesses, and the community in each of the countries where it operates.

Customer needs and expectations are the compass that guides Grupo Elektra's product development and marketing strategy. The company seeks to offer innovative, profitable, and sustainable solutions that ensure satisfaction and generate economic, social, and environmental value for all stakeholders.

On the supply chain side, the company has a Purchasing and Services Centre which aims to develop and optimise trusting and mutually beneficial relationships with suppliers by means of institutional policies and procedures manuals that guarantee transparency in the procurement process. All Grupo Elektra suppliers undergo a certification process by means of the internal Suppliers' Circuit Programme. This certification includes the analysis and validation of various aspects of the products and services contracted and the sustainability of suppliers.

SOCIAL VALUES

Aside from the important creation of economic value, Grupo Elektra is also keen to further social values.

The following is a description of some of the major corporate social responsibility initiatives taken by the company:

Through *Fundación Azteca*, which celebrated 19 years of activities in 2016, Grupo Elektra supports important initiatives. Esperanza Azteca (www.esperanzaazteca.com), a programme that since 2009 promotes values such as discipline, excellence, and teamwork through music, has integrated a network of 87 youth orchestras and choirs in Mexico, El Salvador, and the United States, benefitting more than 17,000 children from low-income families.
See www.fundacionazteca.org.

El Juguetón, the world's biggest toy drive, receives and distributes more than 16 million presents to needy children on Three Kings' Day every year. Over the past 21 years, more than 188 million toys have been distributed, generating joy and smiles to an increasing number of families.
See www.azteca7.com/jugueton.

Plantel Azteca provided in 2016 middle and high school education with values and technical excellence to 2,100 students of limited resources, all of whom were awarded scholarships thanks to their academic performance. In 19 years, more than 10,500 students have graduated from the school which promotes equality of opportunities and improvement in the quality of life through education.
See www.plantelfundacionazteca.com.

Limpiemos Nuestro México, the country's largest clean-up movement which sensitises



Grupo Elektra: store interior.

the community about littering, brought together more than seven million volunteers in its eighth edition in 2016 to collect and separate some forty thousand tonnes of garbage throughout the country. Since 2009, millions of volunteers have collected 228 thousand tonnes of litter with this campaign.
See www.limpiemosnuestromexico.org.

On the environmental front, Grupo Elekta develops processes that optimise efficiency in the use of resources and promote the use of renewable energy. Around 36% of the company's energy requirement – approximately 74GW/h – is sourced from renewable resources – mainly wind. Grupo Elektra is looking to gradually increase this proportion.

The Company contributes to the welfare of the communities in which it operates and is poised to continue with its outstanding performance with activities of economic, social, and environmental value which are expected to generate further progress and boost the quality of life for millions of families.

GRUPO ELEKTRA MANAGEMENT

Grupo Elektra has a professional and highly recognised management team headed by Pedro Padilla, CEO of Grupo Salinas.

Mr Padilla is a young veteran and successful executive who focuses on strategic planning and operations at Grupo Salinas – of which Grupo Elektra is part – seeking to maximise synergies amongst the diverse companies of the group.

In 2016, Mr Padilla was instrumental in building a solid managerial group and in creating robust economic value with growing sales and a double-digit rise in EBITDA at Grupo Elektra. He also created social value by means of improving the well-being of more than 60,000 employees and supporting a number of social causes. Finally, Mr Padilla created environmental value by promoting the use of clean energy in the facilities of Grupo Elektra in the seven countries where it operates.

Mr Padilla oversees both the financial division and the commercial business of Grupo Elektra.

The financial division is headed by Alejandro Valenzuela, a savvy banker with over twenty years of experience in the industry. He proved key in the steady expansion of Banco Azteca as well as in obtaining solid results and keeping a robust balance sheet. Under his leadership, the bank has offered world-class financial services to the base of the demographic pyramid, enhancing financial inclusion with close to eleven million deposit accounts in México and a similar number of credit accounts – a substantial achievement in a country of 32 million households.

Through micro-financing, Banco Azteca has been key in developing small businesses, and has also generated significant synergies with the commercial division of Grupo Elektra, improving the living standards of millions of families.



Italika



Esperanza Azteca



Jugueton



Limpiemos Nuestro Mexico

Grupo Elektra's commercial division is headed by Fabrice Deceliere, an expert in the retail business. Under his supervision, the company sells close to one in every four television sets in Mexico and one in five refrigerators. The division also pays out a substantial percentage of the remittances sent from the United States to Mexico.

Solid store performance results from a mix of goods and services that maximise customer satisfaction offered by a highly-trained sales team, at optimal market conditions, with superior customer service.

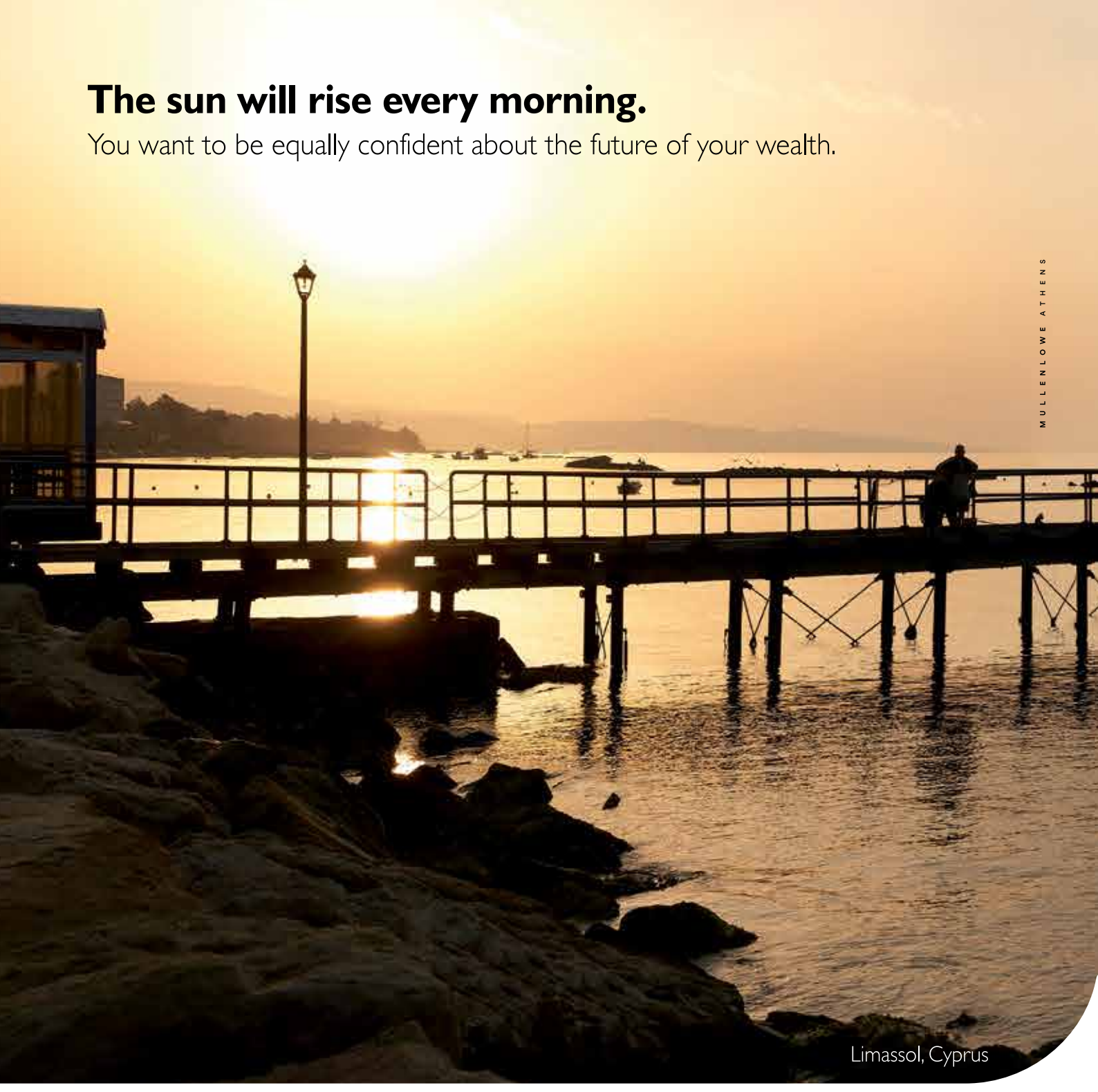
Italika, the company's brand that assembles and commercialises motorcycles is headed by Alberto Tanus. With a 60% market share in Mexico, it provides efficient, safe, affordable, and environmentally-friendly transportation to millions of families. The company has been certified by Great Place to Work for its excellence in labour conditions.

Rodrigo Pliego, CFO of Grupo Salinas, has designed strategies to foster operating efficiencies and to effectively control costs. This has led to increased profitability in Grupo Elektra. He has also been proactive in minimising funding costs, and in further strengthening the group's capital structure.

Manuel Gonzalez, CIO of Grupo Elektra, has been key in developing the state-of-the-art technologies that manage the rapid growth of the company while enabling it to better serve its millions of customers with unparalleled efficiency standards and cutting-edge systems. ❊

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PANAMERICAN

The flag ship of Grupo Panamerican is Panamerican Securities S.A. (Panamerican), the Bolivian leading investment banking, securities and investment management firm, with offices in La Paz and Santa Cruz.

Panamerican has more than 20 years providing top investment banking services to Bolivian corporations and its shareholders. Panamerican trading record, consistently above USD 2 billion for the last 5 years represents approximately 7% of Bolivian GDP.

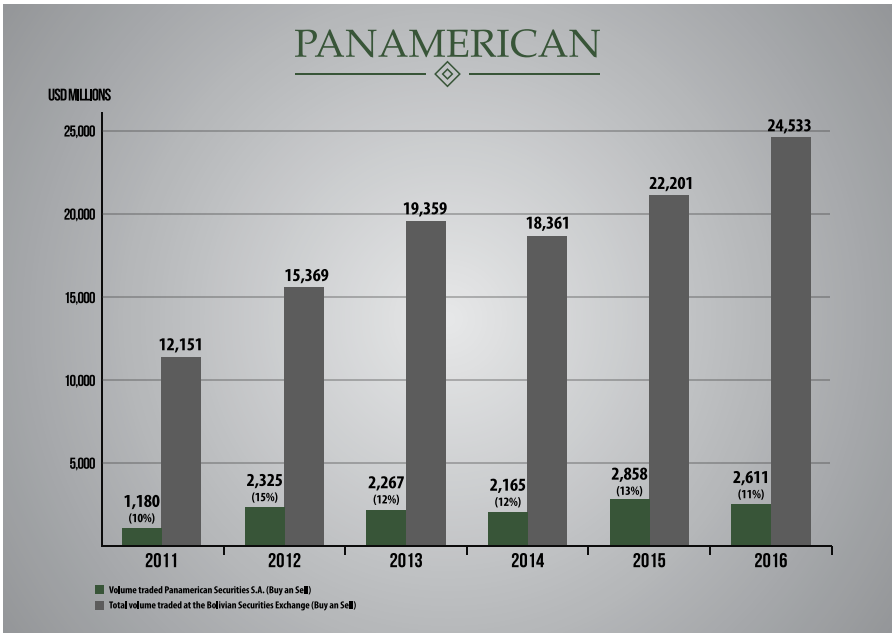
Panamerican has completed significant deals for its clients in a number of sectors of the Bolivian economy, including hydrocarbons, mining, energy, banking, agribusiness, real state and tourism. Panamerican holds an accumulated amount of 2.9 billion in IPOs, M&A and structured transactions.

Two recent deals are particularly outstanding because they involved top leading industry players, the first one in La Paz: the sale of 28% of Banco Sol, the Bolivian leading microfinance institution and one of the top 10 microfinance banks in the world. The second one in Santa Cruz: the sale of Hotel Los Tajibos, the leading Bolivian company in the hotel industry.

There are a few Bolivian industries that have produced world class entities; no doubt that microfinance is one of those. For Panamerican it has been an honor to lead the industry towards the capital markets by issuing bonds, subordinated bonds and other instruments, totalizing USD 235 million that optimized the cost of capital of 5 microfinance institutions of different sizes and shapes.

Panamerican expects that in the coming years the Bolivian Stock Exchange, already the 7th Latin American Exchange by volume, will experience significant growth benefiting from a vibrant ecosystem of small and medium size companies that will start to trade different kind of securities using local Fin-tech solutions. Data Source, a Fin-tech company related to Panamerican, is currently working towards that goal.

Usually not included in the frontier market list put together by different entities, Bolivia is an extremely interesting frontier market with significant opportunities for hedge funds and motivated investors. Although socially and politically challenging, the Country is collecting its demographic dividend which translates in sustained growth in internal demand. With abundant clean energy sources and no less than 25% of the world's lithium reserves Bolivia could become the clean energy hub of the region. ❊



"Bolivia is an extremely interesting frontier market with significant opportunities for hedge funds and motivated investors."

USD 37 MM

BancoSol
Juntos crecemos

Sale of 28.5% of the bank in the Bolivian Stock Exchange

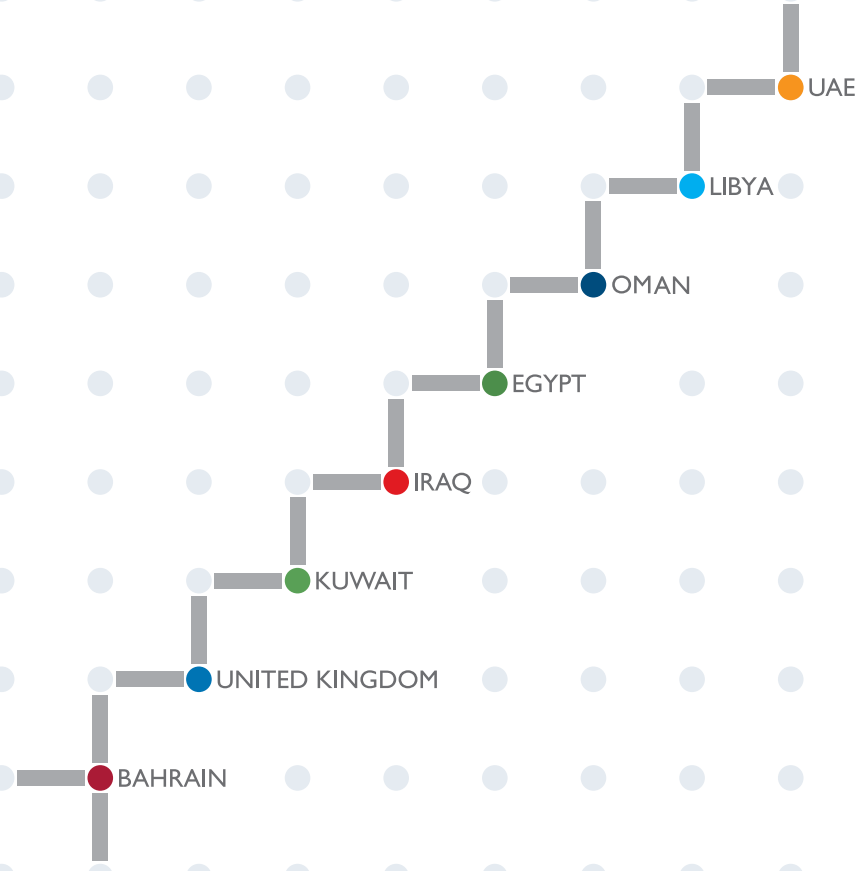
2015

USD 39 MM

los tajibos
HOTEL & CONVENTION CENTER
SANTA CRUZ - BOLIVIA

Sale of 78.7% of the company in the Bolivian Stock Exchange

2016



CONNECTING FOR GROWTH

Through our strategy of organic growth and acquisitions, we continue to strengthen our position in the region. Take advantage of our reach and grow with us.

EUROMONEY AWARDS FOR EXCELLENCE 2016

The Banker Bank of the Year 2016 MIDDLE EAST

BEST BANK AWARD 2016 GLOBAL FINANCE

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> Produbanco:

Market Leader Keeps Its Leading Edge

Produbanco
Grupo Promerica

Produbanco is the third-largest commercial bank in Ecuador at present. It is also part of Grupo Promerica, an international financial holding corporation with a visible banking presence in eight other Latin American countries: Costa Rica, El Salvador, Guatemala, Honduras, Cayman Islands, Nicaragua, Panama, and the Dominican Republic. Incorporated in 1978 and headquartered in Ecuador's capital city, Quito, Produbanco has shown tremendous capacity for growth over the years, to the extent that today it can boast of having an extensive network of 115 full service branches, 67 transactional branches under its subsidiary brand Servipagos, 1,535 PagoAgil kiosks, and 300 ATMs, all of which sufficiently service close to 705,000 customers.

Indeed, it is the unwavering commitment towards those customers for which Produbanco is arguably best known, and which it considers its highest priority. The bank's desire to provide the highest possible standards of customer service continues to remain unrivalled throughout Ecuador, especially when one observes the lengths to which it goes in order to cultivate the best, most fruitful relationships with each individual customer. In order to facilitate such an ethos, moreover, all available resources are called upon – whether in the form of many of the best banking professionals in the industry, or the smart utilisation of the latest technological resources.

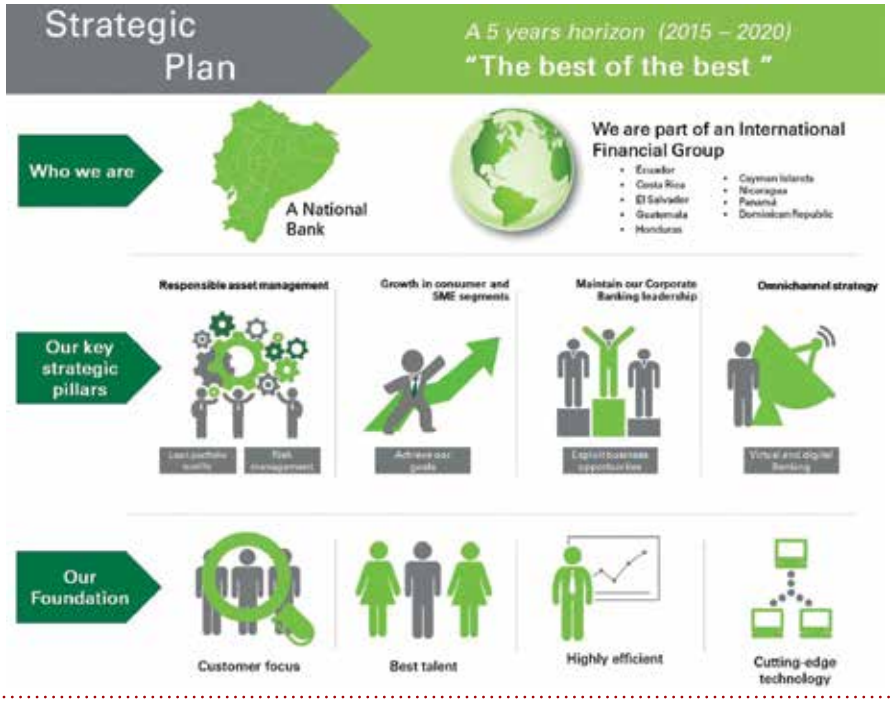
Through the strength of such customer relationships, moreover, Produbanco is now the seller of a remarkably diverse suite of products, each of which has been meticulously designed to satisfy the most pressing needs of specific customer segments. The corporate sector is the bank's flagship market, one in which it is the country's undisputed leader. Indeed, it is its excellence in this sector in particular that has earned Produbanco its reputation for possessing an avid lending appetite, despite the deterioration in operating conditions that continues to plague Ecuador's banking sector. The combination of the Produbanco brand, its AAA- local risk rating (and solid B international rating, same as the country risk), and the sound backing it receives from parent company, Grupo Promerica.

In terms of specific virtual service channels, moreover, the most crucial of Produbanco's recent innovations has been the launch of its new mobile application which allows customers to not only check their account and credit card balances and transactions but also to make transfers, payments for services, and airtime top-ups. Useful, pertinent banking information is also now at the customer's fingertips, including the nearest locations of branches and ATMs, as well as information about the latest banking products and special offers.

> "Produbanco is heavily involved in assisting Ecuador's underprivileged communities."

Largely focusing on delivering financial education to various groups in Ecuador, Produbanco's corporate social responsibility initiatives continue to achieve a slew of impressive results. Produbanco's main approach is to raise awareness about the importance of personal finance, as well as to provide training on fifteen practical aspects of daily finance, the use of e-channels, and the safety measures that should be taken. Again, technology lies at the heart of this Produbanco endeavour, with the bank using several media channels to spread its message.

Elsewhere, Produbanco is heavily involved in assisting Ecuador's underprivileged communities.





Its most important association pertaining to such work is with the Su Cambio por el Cambio Foundation, through which it has provided crucial support in the rescue, education, and re-insertion of approximately 6,000 vulnerable children and adolescents. It has also assisted in materially improving the quality of life for around 400 families stretched across 18 communities within the province of Bolívar, the poorest among all Ecuadorean provinces. In addition, more than 300 children and adolescents received important nutrition and dietary advice from the bank, while the care of 80 senior citizens was also supported.

Produbanco is also at the forefront of the global shift towards clean-energy adoption – and away from activities that generate an abundance of carbon emissions. 2016 marked the second year in a row that it received a Carbon Neutral Certification, which is given to organisations that are intent on promoting activity that reduces and offsets carbon emissions generated by their own operations. The bank also runs several energy-awareness campaigns to ensure its employees have sufficient knowledge about their use of resources, especially pertaining to the use of paper, water, and energy. Emissions have further been offset by Produbanco via the sponsorship of 950 hectares of forest in the Zamora Province, which has enabled the bank to laudably offset 100% of its emissions. In so doing, the bank provides a shining example of ecological efficiency and of how to go about using resources carefully.

An essential part of Produbanco´s strategy is a strong focus towards innovation, based on technological developments with the aim of providing better experiences for its customers. This focus on innovation, coupled with an analysis of the millennials behavior, was reflected in its new digital account "be Produbanco", which provides a tool to digital users in their personal finances making them feel a different experience, without visiting a bank branch. The innovative app, which can be downloaded for free from digital stores (App Store and Google Play), allows customers to open the account directly from this platform, without approaching a branch. This solution helps to resource management with total ease and security, by accessing it from any mobile device with connection to the Internet 24 hours a day, 365 days of the year.

MEET THE EXECUTIVE PRESIDENT

Executive President Ricardo Cuesta Delgado of Banco de la Producción SA Produbanco obtained a degree in Economics and Latin America Studies from Florida International University. He completed his studies with specialised courses in strategic planning, management development, financial marketing, treasury, and corporate and consumer credit amongst others.

During his career as a finance professional, Mr Cuesta Delgado has occupied top management positions both in Ecuador and outside the country at major financial institutions such as Citibank (Mexico, Panamá, Ecuador), Banco Aserval (Ecuador), and Sociedad Financiera y Banco MM Jaramillo Arteaga (Ecuador). Mr Cuesta Delgado was executive president of Banco Promerica in Ecuador and for the last three years held the same function at Banco de la Producción Produbanco of the Promerica Group.

Mr Cuesta Delago has been an active member and directors of entities linked to the financial sector such as ABPE (Association of Privately-Owned Banks in Ecuador – president of the board), Fondo de Liquidez den Banco Central de Ecuador (Liquidity Fund of the Ecuador Central Bank – principal director), AIFE (Association of Financial Institutions in Ecuador – president of the board), Risk Rating Qualification Committee of Thompson Bankwatch (member), and Administrative Council of the Mexican Registry of Credit and Collections (member).

Additionally, Mr Cuesta Delgado worked for Citibank NA (New York) as a senior instructor at corporate seminars on credit and risk, consumer credit, and developing management skills. For Visa International (USA), Mr Cuesta Delgado gave seminars on principles of consumer credit as they pertain to markets in South and Central America. ❇



Executive President: Ricardo Cuesta Delgado

> Fondo de Fondos:

Promoting the Private Equity & Venture Capital Industries

Mexico Fund of Funds is a specialised alternative asset manager with three units:

1. Private Equity
2. Energy - Infrastructure
3. Venture Capital

The corporation supports the development of the private equity industry in Mexico, while generating attractive returns for investors through investments funds and companies.

Fondo de Fondos' key asset is its team of experts which has a combined 300 years of experience in areas such as corporate finance, investment banking, consulting, and business administration.

Fondo de Fondos started operations in 2006 as a private and independent company backed up by the four Mexican development banks with a portfolio of fourteen legacy fund investments. Since the beginning, Fondo de Fondos has kept a strong focus on corporate governance, having an investment committee with professional and independent members.

One of its main goals has been to professionalise the private equity industry through the implementation of international best practices.

> "One of its main goals has been to professionalise the private equity industry through the implementation of international best practices."

Currently, Fondo de Fondos maintains investments in more than 72 private equity funds. The corporation also has 24 direct investments, supporting throughout these ten years more than 500 Mexican companies and more than a quarter of a million jobs in sectors such as manufacturing, consumer goods, logistics, education, hospitality and tourism, health, information technology, and energy and infrastructure.

Today, Fondo de Fondos has become one of the most important companies in the region with over $1.5bn dollars of public and private assets under management.

THE NEW MISSION

Fondo de Fondos aims to encourage, modernize, and consolidate the private equity industry in Mexico by investing long term capital in the sector, under the best international corporate governance practices and management techniques that will develop and strengthen the productivity, profitability and sustainability of our funds and companies within our portfolio.

THE NEW VISION

Fondo de Fondos wants to become the most profitable and efficient alternative assets manager, and a promoter of best management practices in Latin America.

GOALS

Fondo de Fondo promotes the culture of private equity and venture capital in the country and stimulate changes in the legal frameworks that are appropriate for this purpose.

The corporation manages venture capital programmes of third parties based on public and private resources and design and executes exit mechanisms that are suitable for these investments. It also promotes the creation of vehicles to do so.

In addition, Fondo de Fondos manages and invests the funds provided by government entities in companies, organisations, and joint stock funds, focusing on the areas of attention specified by those entities.

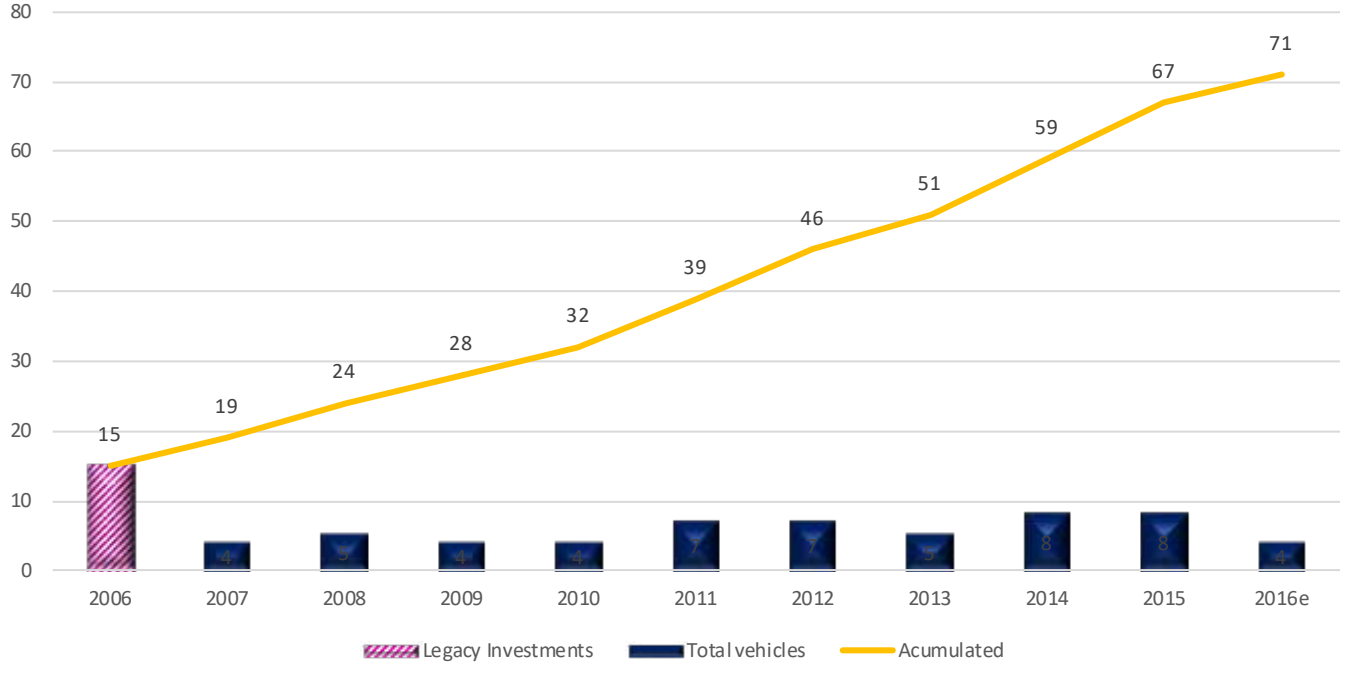


Figure 1: Number of vehicles supported by The Fund of Funds.

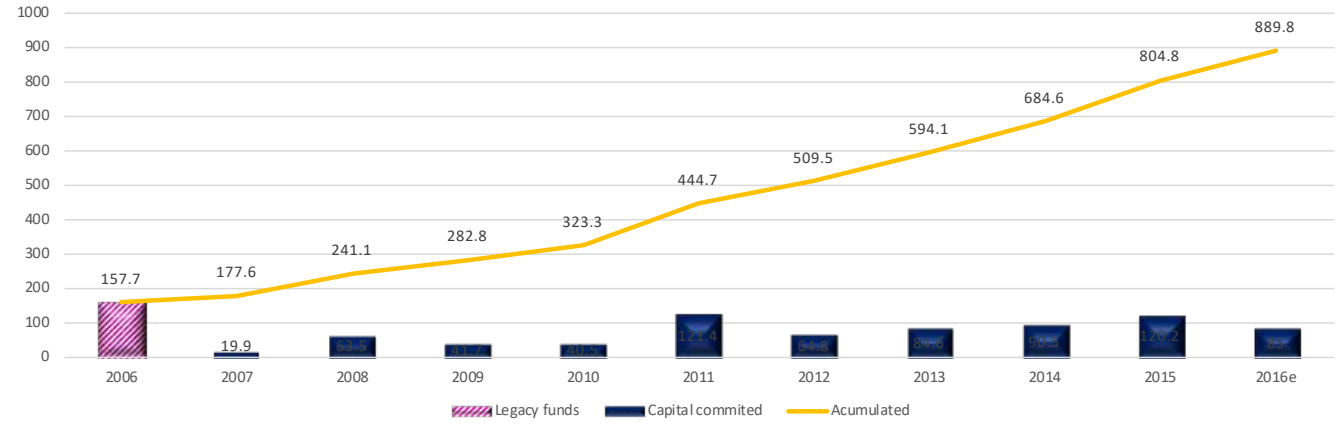


Figure 2: Capital committed (USD millions).

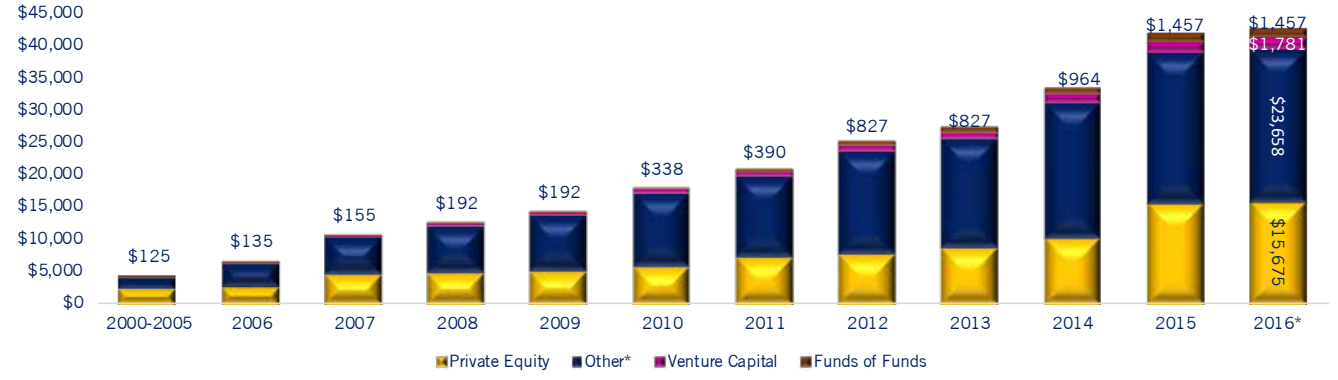


Figure 3: Commited capital by sector (USD million). **Others include Real Estate, Energy & Infrastructure.*

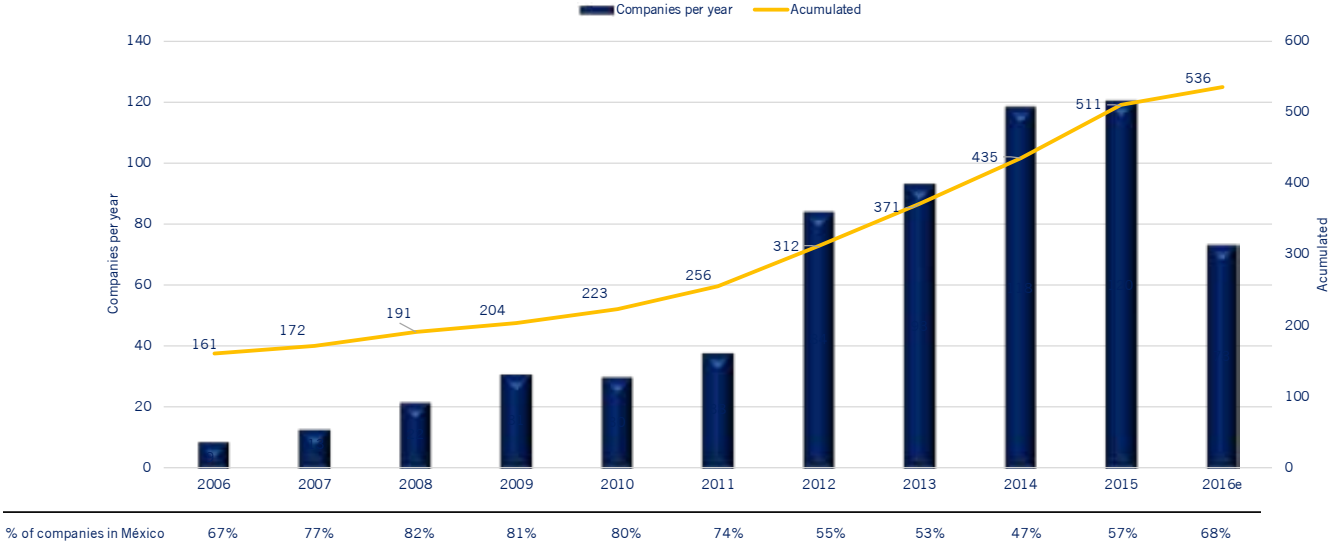


Figure 1: Data as of Dec 2016.

INVESTMENT STRATEGIES

Private Equity

The funds in which Fondo de Fondos invests actively seek stakes in companies with a business model and a proven market, as well as demonstrating great potential for growth and scale, improving their competitiveness through strategic positioning.

The aim is to develop the business, improve its operations, and strengthen corporate governance in order to promote long-term growth and sell the investment within three to six years. These investments greatly enhance strategic positioning, competitiveness, and best practices in decision-making and labour relations.

In Mexico, the private equity industry is growing. The number of local fund managers has increased and a growing number of regional and global funds are seeking an investment platform in Mexico with a view to generating returns for investors thereby promoting growth, long-term economic development via stronger business activity, and better jobs for all Mexicans.

Energy and Infrastructure

The Mexico Energy Fund of Funds is a private equity investment vehicle focused on the energy



Fondo de Fondos: The Team

sector. This vehicle, through its investments in private equity funds and their co-investments in companies or projects, seeks to strengthen and support the energy sector in Mexico which is essential for the country's economic and social development.

This investment vehicle is focused on supporting private equity funds as a limited partner, but also offers the possibility of making direct co-investments with other private equity funds focused on the energy industry and infrastructure in Mexico.

The fund primarily focuses on gas, oil, power generation, transportation and storage of hydrocarbons, petrochemicals, energy infrastructure, and renewable energy.

The group that constitutes the energy strategy focuses its analysis of potential investments in an appropriate risk balance-performance which includes a significant due diligence, where it seeks to have general fund managers with solid experience in the energy sector, as well as a diversified investment portfolio.

Venture Capital

Mexico Ventures (Fondo de Fondos' VC arm) promotes the development of innovative start-ups with attractive proposals and high growth potential. The vehicle invests in the best local and international funds to promote the development of the VC ecosystem in Mexico.

The companies in the portfolio stand out for offering solutions with high added value and with the potential to transform their surroundings.

Mexico Ventures seeks venture capital funds with talented fund managers, able to identify and promote the development of the best entrepreneurs in Mexico. The funds must close with greater commitments of $15 million, including investment of arrears monthly rate which must not exceed 30% of the total commitments of the fund.

This strategy also looks for the best entrepreneurs in Mexico who are developing the most innovative companies with high growth potential. The vehicle invests in Series A and B and thus focuses on companies that have successfully completed the stage seed funding.

THE TEAM

The Fund of Funds' team constitutes the core strength of the company. They are a group of professionals with financial expertise in investment and the monitoring of funds specialising in private, domestic, and international capital. The team is united by a commitment to excellence.

Fund of Funds has over three hundred years of accumulated experience in the various aspects of the financial sector: private equity, investment banking, corporate finance, and financial engineering. Since the establishment of the company, the team's members have been at the forefront of the selection of fund managers with proven experience, driving due diligence processes, and the development of strategies to monitor the funds. The corporation is committed to a continuous improvement cycle via training programmes that allow each process to run according to high quality standards as required and practiced by the most recognised institutions in the financial sector.

To guarantee optimum performance, Fund of Funds has established a modern corporate governance framework supported by a board of managers. Half of its members are independent advisors. Fondo de Fondos also maintains investment, audit, and corporate practices committees.

STRENGTHS

Team Experience: More than 300 years of accumulated experience in corporate finance, private equity, and investment banking in the region.

Market Knowledge: Assets under management of more than $1.5bn in over 72 funds, with accumulated interests in over 550 companies.

Access to the Best Managers: Long-term business relations with the best managers in the industry.

Unique Experience in Private Equity: A team 100% dedicated to private equity, including organisation, analysis, selection, execution, monitoring, and reporting to investors, and capped off with a solid foundation compliance with current regulations.

Integral Diversification: A defined strategy for the construction of portfolios for the purpose of optimising the risk profile/returns on investments from Fund of Funds.

Experience in the Analysis of Managers: Extensive experience in selecting managers, focusing on the key points of a fund's success.

Corporate Governance: Decision-making based on a board of advisors where 50% of the Management Board is independent.

Manuals and Investment Policies: Compliance and risk management which reports to the Audit Committee with manuals, a code of ethics, and written politics for the purpose of governing the operation and policies of Fund of Funds. ❇

> CFI.co Meets the CEO of Molino Cañuelas:

Aldo Navilli

Aldo Navilli has been Molino Cañuelas' CEO since 1976. Mr Navilli was born in 1952 in Laboulaye a city in the Córdoba Province. At the age of 14, he began to work with his father in the wheat grinding business. By the age of 24, he bought Molino Cañuelas together with his family, becoming its CEO.

Mr Navilli's business profile soon led Molino Cañuelas to become number one producer and exporter of wheat flour in Argentina, leading the markets of salted and sweet pre-mixes, biscuits, and flours with its brands.

Today, Molino Cañuelas has more than twenty industrial facilities and a port terminal in Zárate, in the province of Buenos Aires.

With a staff of more than 3,000 employees, and a strategy for growth and expansion at a regional level, Mr Navilli has taken more than 150 products to more than 60 countries, developing his vertically integrated business vision that guarantees the quality of products, the handling of raw materials, and efficiency in all processes. He succeeded in strengthening capacities as a producer of raw materials. He also articulated an effective production and distribution system differing from the traditional channel, creating a new model.

In addition, Mr Navilli is CEO in Agripecuaria AN, Puramel, Santa Cecilia, Logística Portuaria Molca, Cañuelas Pack Flexible Packaging, Molino Americano in Uruguay, and in Brazil, Mohino Cañuelas and Viu, a textile company producing and marketing the brands Vitamina and Uma in the region.

Socially committed, Mr Navilli carries out a CSR programme in aboriginal communities in northern Argentina through the application of a management and vision system. Together with his collaborators, he successfully demonstrated that through education and methods, a unique concept based on communities' self-sustainability can be implemented, allowing them to leave a reality of poverty and structural misery through work. From 2017, through the San Ignacio Foundation he began to replicate the programme in new Wichi aboriginal communities in the area.

Aldo Navilli is essentially a good innovator of ideas which are focused on the development of a management system of his own, promoting innovation, quality, and efficiency in all processes. ❊



CEO: Aldo Navilli



> Molinos Cañuelas:

A Vertically Integrated Business

Molino Cañuelas is an Argentinean manufacturer and marketer of food products – a leader in the region. It has vertically integrated businesses that guarantee the quality of its products, the handling of raw materials, and efficiency in all its processes. Achieving sustained growth and eighty years' experience in the food industry, the company has consolidated itself in an industrial group that specialises in the processing of wheat flours, oils, cookies, baked goods, dry pasta, breadcrumbs, and premixes for pizzas, gnocchi, and fritters, as well as frozen foods for mass and industrial consumption. Its products reach Argentinean homes and more than sixty countries worldwide. The firm is also the number one producer and exporter of wheat flour in the country. In domestic mass consumption products, its brands lead the segment of salted and sweet pre-mixes, biscuits, and flours.

The company's business is organised into three areas: retail products, brand food products, and agro-services and sustainable supply. Through the retail area, it offers more than 150 branded products for mass consumption: 9 de Oro, Pureza, Mamá Cocina, Cañuelas, San Agustín, Paseo, Florencia, and frozen baked goods. This way, processed products are sold through four large groups: chain stores (100% presence) such as Carrefour and Walmart; wholesalers; key distributors that ensure national coverage, and foodservice, attended by strategic distributors such as Shell and YPF service stations, warehouses, and fast food restaurants such as Mc Donald's and Subway.

For its part, the main objective for the branded food products area is to supply the retail market. This operation includes twenty production plants in South America. During 2016, the company grinded over 30% of the total volume of processed wheat in Argentina, being one of the largest food producers in the country, using state-of-the-art technology. This area also includes containers production through Cañuelas Pack, the packaging business acquired by the firm, fulfilling all packaging needs for its own products and for other companies, such as Pepsico, Cabrales, and SanCor.



"Looking forward, Molino Cañuelas is convinced there are significant opportunities to further improve its growth and development, thus expanding its leadership in the food industry and increasing its presence in the region."

Through its agro-services and sustainable supply area, the aim is to ensure a constant supply of grains, by means of more than 8,000 independent agricultural producers in Argentina with more than 90 branch offices and about 30 classification and conditioning plants which cover practically 100% of the productive area in the country. This way, it works as a single supplier for farmers, offering them a wide variety of products and services.

As part of its strategy, Molino Cañuelas has a Terminal Las Palmas, a strategically located port with clearly competitive advantages for export business, allowing it to reach the five continents.

Throughout its trajectory, the company has been motivated to generate socially responsible practices, supported by a sustainable development model that promotes not only economic achievements, but also contribution to social and environmental values. For this reason, its plants are certified under ISO 9001, FSSD / ISO 22000, ISO 14001, and OSHAS 18001.

Since its philosophy of "committing with the highest quality and seriousness" is shared by its more than 3,000 collaborators, it was a pioneer in modifying the spout of its line of Cañuelas edible oils, allowing its customers to save 20% of the product. In addition, the company was a pioneer in fortifying its flours and premixes with calcium, iron, vitamin B complex, and folic acid, positioning Molino Cañuelas as a leading company in food innovation and development.

Under this 360° view, the firm builds its leadership from a set of main pillars characterising its management:

- A consistent policy of permanent innovation in the development of raw materials, products and packaging.
- The vertical integration of its strategic supplies together with the agricultural producers.
- The development of sustainable management seeking to create environmental and social value.
- Implementing a sustainable, innovative and participatory model with its value chain (suppliers-customers-consumers).
- Certification of international standards that guarantee the quality and environmental management systems and the occupational safety and health system.
- A consolidated management system which is assisted by the permanent incorporation of the best international practices and the development of its collaborators.

Looking forward, Molino Cañuelas is convinced there are significant opportunities to further improve its growth and development, thus expanding its leadership in the food industry and increasing its presence in the region. With the challenge of continuing to grow today, it seeks to expand the portfolio of products in retail and food service, and to maximise resources while working to enhance those competitive advantages that are part of the company's DNA. ❊



> Evertec:

Extraordinary Path to Success

Since its commencement, Evertec has made a difference in the financial technology industry of Latin America. With 28 years of experience, Evertec is a leading full-service transaction processing company in Latin America, providing mission-critical technology solutions focused on simplifying commerce for merchants, financial institutions, government agencies, and consumers.

Evertec processed in excess of two billion transactions last year, employs nearly 1,900 professionals (including employees from 65%-owned subsidiary Processa), operates in seven countries, and serves customers with diverse businesses across 18 countries.

Evertec is the first and only Puerto Rican technology company listed on the New York Stock Exchange [NYSE:EVTC] and owns and operates the biggest debit network in the Caribbean: ATH. Evertec's president and CEO Mac Schuessler, the management team, and all of the company's workforce are dedicated to maintaining and expanding their competitive edge, investing in state-of-the-art technology, and providing high quality, efficient, and reliable services.

In 2016, total revenue for Evertec amounted



Yorkshire Bank

"Evertec is the first and only Puerto Rican technology company listed on the New York Stock Exchange and owns and operates the biggest debit network in the Caribbean"



President & CEO: Morgan "Mac" Schuessler

to nearly $390 million, an increase of 4% on the prior year. Operating cash flow was strong, at $168 million, which allowed for continued investments in the business through capital expenditures and strategic acquisitions. The results also allowed for a return of capital to shareholders through share repurchase and dividends of nearly $70 million.

To expand its footprint in Latin America, Evertec completed its first strategic acquisition since becoming a public company, acquiring 65% of Processa – a Colombian payment processing company – in 2016. In February 2017, Evertec announced another deal – now pending regulatory approval – to buy 100% of PayGroup – a Chilean payment processing and software company serving, primarily, financial institutions throughout Latin America. The addition of these companies will not only fortify Evertec's service and product portfolio, but its presence in Latin America and the Caribbean as well.

EVERTEC MANAGEMENT

Mac Schuessler – President and CEO. Mr Schuessler has been Evertec's president and chief executive officer since April 2015. Mr Schuessler is a former president of International for Global Payments with over 20 years of payment industry leadership experience. Prior to joining Global Payments, Mr Schuessler served in several leadership positions with American Express, including vice-president of Global Purchasing Solutions. He was also a member of Visa's Senior Client Council and a UnionPay International Member Council – the international division of China UnionPay (CUP).

Mariana Goldvarg – President for Latin America. Mrs Goldvarg is a former president of Equifax Latin America and has over thirty years of experience in the Latin American financial sector, including nineteen years at Citibank.

Miguel Vizcarrondo – EVP Merchant Acquiring and Payment Processing. Mr Vizcarrondo has over ten years of merchant acquiring experience with Banco Popular and Evertec.

Peter Smith – Chief Financial Officer. Mr Smith is a former chief accounting officer at FIS. He boasts a wide and deep experience in the financial technology sector.

Philip E Steurer – Executive Vice-President and Chief Operating Officer. Formerly of First Data, Mr Steurer has over two decades' worth of experience in transaction processing.

Guillermo Rospigliosi – Executive Vice-President Product, Marketing, and Innovation. Mr Rospigliosi is a former Managing Director of CyberSource and Chief Risk Officer for Latin America at Visa. He has over twenty years of experience in the business.

Luis A Rodriguez – General Counsel and Executive Vice-President Corporate Development & Strategy. Mr Rodriguez is a former Director of JP Morgan and Deutsche Bank in New York. He has over ten years of experience.

Carlos Ramírez – Executive Vice-President Product Business Solutions. Mr Ramirez has over 33 years of experience in the technology industry and has been driving business at Evertec for close to a quarter century.

Marcelino Zayas – Senior Vice-President Human Resources. Mr Zayas obtained his experience in HR at General Electric and Johnson & Johnson. He is a member of the Society of Human Resources Management. ❇

> Ernst & Young:

Argentina - New Government Measures to Improve and Strengthen Employment

By Sergio Caveggia and Vanina Manteiga

Argentine payroll costs are the highest in Latin America, standing at a maximum of 40%. Social security and health care employer contributions amount to 23% or 27%, based on each employer, whereas contributions withheld from employees stand at 17%. In addition, the cost of work-related accident insurance coverage and mandatory life insurance must be added and amount to an additional average of 4%.

Moreover, Argentine Employment Contract Law and collective bargaining agreements also establish other type of costs that employers must bear, such as 13th payment, paid holidays, non-wage payments, uniforms, food, medical controls, and dining facilities, amongst others.

This situation, jointly with the high inflation that Argentina has suffered in the last few years, make companies' labour and payroll taxes a significant component of their cost structure.

In order to boost the labour market and improve the country's infrastructure, thus facilitating the production of goods and services, during its 14 months in office the new government made decisions and implemented policies in several areas, such as finance, employment, and taxes.

Below are the most significant social security and labour measures being drafted, analysed and negotiated by the Argentine government with the different social actors, or that have already been approved by congress. The main objectives pursued by the current administration are:

- reducing the labour cost borne by employers;
- introducing young people into the labour market;
- lessening the tax burden of workers;
- strengthening employment in the private sector;
- creating new registered work positions;
- stimulating formal employment – at present, informal employment amounts to about 35%, representing four million workers.

Income tax payable by salary earners – On December 27, 2016, the amendments made to Income Tax Law, which governs payroll employees, became effective.

Income tax has significantly affected the workers' purchasing power over the last few years since the previous administration did not adjust for inflation the scales for calculating income tax withholdings, which were the same from 2000 through to December 2016. The high inflation rates suffered in Argentina during these years caused the workers' salaries to become increasingly unsteady, even if collective bargaining negotiations granted the agreed-upon increases, and/or if employers provided employees not covered by collective bargaining agreements with salary increases equal to or higher than the inflation rate. In many cases, despite salary increases, workers, due to the regressive nature of income tax over the last few years, earned a net salary which was lower than that collected before the raise.

> "Compensation applicable to a worker for disability will be improved since the basic gross salary will be adjusted monthly."

Pursuant to income tax law amendments, updated personal deduction amounts became effective as of January 1, 2017, accounting for a 23% increase as compared to 2016 and which will be adjusted annually as from 2018. The amendment also sets forth the extension of the bracket scales for assessing income tax.

Workers Compensation Insurance Law – On January 23, 2017, a Presidential Necessity and Urgency Decree was published, whereby the president introduced major amendments to the workers compensation insurance system aimed at reducing the high rate of lawsuits for occupational accidents suffered by insurance companies mainly since from 2012, compromising their solvency, as well as the stability of the system.

The main amendment to the system is that if an employee wants to file an occupational accident/disease lawsuit, he/she is required to undergo a single administrative instance excluding any other intervention so that he/she may request, with legal counsel support, the assessment of the occupational nature of his/her disease or contingency, the assessment of his/her disability and the related monetary compensation set forth in Workers Compensation Insurance Law.

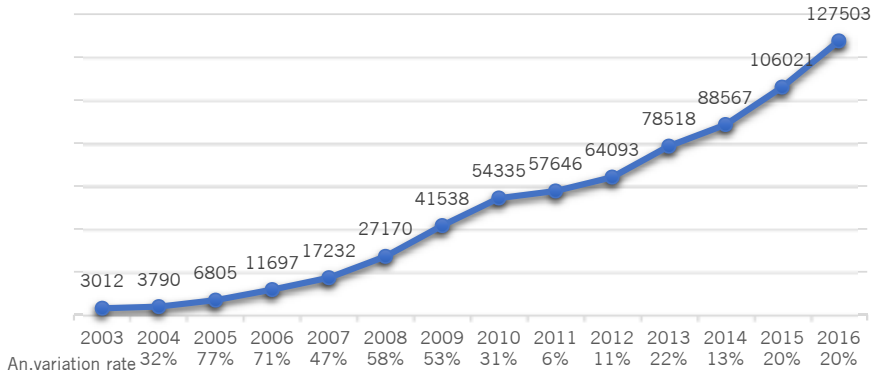
This instance comprises the involvement of a jurisdictional medical commissions before the employee appears in court. These medical commissions should issue an opinion no later than 60 administrative business days, a term which may be extended for 'matters of fact related to the confirmation of the occupational accident or disease, duly grounded'. Should the worker disagree with the ruling, once the administrative instance is exhausted, he/she may resort to court proceedings. This amendment is expected to be regulated before February 28, 2017, so that it becomes effective no later than March 1, 2017.

In addition, the compensation applicable to a worker for disability will be improved since the basic gross salary will be adjusted monthly.

Based on official statistics, there are 340,000 pending trials at present which account for liabilities worth $4.5 billion. A total of 127,503 new trials were initiated in 2016. As a result of this high number of lawsuits, insurance companies have been forced to increase the monthly premium charged to employers to face these lawsuits, thus driving up labour costs.

First Job Promotion System and Employment Formalization Bill – This bill has been pending approval by congress since April 2016. It consists of two systems:

1. First Job System: It comprises exemptions for employer contributions (23%/27%), which may reach 100%, and additional economic incentives granted to employers for hiring first-job employees or employees who have worked less than 36 months as registered employees. This system comprises people aged between 18 and 24.
2. Special system for redressing unreported employment (regarding the age of the employee): In the case of payables from failing to pay over social security taxes, the employer is benefitted with the remission of such payable and the discharge of interest, fines and penalties.



Work-related risks' insurance: evolution of lawsuits

Its main objective is to foster the creation of new registered work positions as a policy of national public interest and to boost economic and social development in Argentina.

Labour disclosure – This initiative is being drafted by the Argentine Ministry of Labour, Employment, and Social Security. It is aimed at (a) boosting the creation of employment by subsidising only employee social security contributions (14%); (b) amending collective bargaining agreements, and (c) reaching an agreement at collective bargaining negotiations considering future inflation, rather than past inflation as it has been done over the past twelve years in Argentina.

One of the key points of labour disclosure consists in subsidizing employer social security contributions. The Argentine government will bear the contributions of every new employee joining the labour market over the next three years.

Therefore, the executive branch seeks to register about 300,000 workers per year, reaching 900,000 employees in three years and thus avoiding a strong imbalance in the Argentine social security system.

This disclosure will aim at SMEs and informal workers with gross salaries of up to ARS 12,000. The Argentine government also seeks to reduce informality in some key sectors of the economy where unreported labour is high, such as construction, the rural activity and the textile industry.

Moreover, this initiative would set forth that the beneficiaries of social plans also make contributions to the social security system.

Besides, the disclosure would also toughen penalties for employers failing to register its employees in due time and manner. In February, the Argentine government will summon business persons and the main union leaders to bring forward the proposal and reach general consensus.

VACA MUERTA AGREEMENT

Vaca Muerta is the second largest shale gas reserve worldwide and the fourth largest reserve of shale oil in the world. It is located in the Province of Neuquén and has a surface of 30,000 km^2.

Last January the provincial government and oil unions and companies reached an understanding to relaunch investments to exploit the shale gas and shale oil fields in Vaca Muerta. The purpose of this agreement is to improve the profitability of the projects by adopting such measures to cut labour costs, invest in infrastructure, encourage exports and drop the price of energy, amongst others.

This 'treaty to improve productivity', as defined by the government, intends to lower business costs by removing certain economic items granted to employees so far. Although this removal slashes worker salaries by a third, and thus labour costs, the oil union upholds that, despite such salary decrease, work is humanised and the quality of life is improved.

Companies will invest $5 billion in 2017, whereas investment will increase to $15 billion per year as from 2018, which, based on government forecasts, will multiply the workforce in the oil and gas field and related activities by a factor of ten.

In addition, through this arrangement with the oil union, the government aims at setting precedent and replicating the model in other collective bargaining agreements to make them more 'flexible' and productivity-oriented, and hence promote investments in other sectors. ❊

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> North America

Marginalised: The Decline of the US Department of State

By Wim Romeijn

When the going gets tough, the tough get going – or so the Americans keep saying. Secretary of State Rex Tillerson, formerly CEO of ExxonMobil, enjoys a well-earned reputation for being assertive, decisive, and tough. Yet, for now, Mr Tillerson is going nowhere – fast. Confined to the margins of the Trump Administration and overshadowed by the defence and security establishments – as represented by a vast collection of acronyms – Secretary of State Tillerson is more of a delivery guy, sent to places far and wide to deliver the ukases his boss couldn't fit into a 140-character tweet.




DEPARTMENT
OF
STATE

Considered a hotbed of card-carrying, bleeding-heart liberals, the US Department of State has not just been side-lined by the new administration, but snubbed and humiliated. President Trump did not bother to consult with Mr Tillerson before he unveiled the administration's new take on Palestinian statehood. State was also conspicuously absent as President Trump welcomed the prime ministers of the UK, Israel, Japan, and Canada to the White House. Mr Tillerson is also kept out of the loop on the administration's dealings with Russia, China, and the European Union. The administration's feeble attempt in mid-February to soothe Europe's concerns was spearheaded by Vice-President Mike Pence and Secretary of Defence James Mattis.

Mr Tillerson was, however, sent to Mexico on a mission to patch up relations with President Enrique Peña Nieto who abruptly cancelled a meet and greet with the US president over issues regarding the financing of Trump's border wall initiative. Both presidents also failed to maintain a degree of civility during phone conversations. Prior to leaving for Mexico, Mr Tillerson received instructions from his boss to produce a detailed inventory of all aid programmes and grants provided by the US to Mexico. Earlier, President Trump had indicated that these funds may be diverted to pay for his wall.

Relegated to the role of diplomatic fireman, extinguishing the tweet-fuelled blazes set by the president, Mr Tillerson heads a department that is no longer part of the White House's inner circle. In fact, the secretary of state must also battle the not unreasonable perception that he doesn't speak for the president who, incidentally, underscored Mr Tillerson's low ranking in the new pecking order by rejecting his choice of a deputy. Though Elliott Abrams, a former assistant secretary of state to presidents Ronald Reagan and George W Bush, boasts impeccable conservative credentials, he was dismissed out of hand for having failed to endorse Donald Trump during the election campaign.

In all fairness to the new administration, the decline – or incredible shrinking – of the State Department was set in motion well over twenty years ago when the until-then quasi dormant National Security Council (NSC) became the premier forum to advise the president on matters of security and foreign policy. Via the NSC, the Clinton Administration strengthened the White House's grip on foreign policy. The slow erosion of the State Department's say and sway sped up after 9/11 as the 'War on Terror' was unleashed. As a result, US foreign policy became a mere addendum to the country's military and intelligence efforts – with State only providing explanations and excuses to foes and allies alike as other departments took over its turf.

"Meanwhile the Department of Defence took on a leading role, and the resources to match, in providing security assistance to foreign countries – erstwhile a statutory prerogative of the secretary of state."

Meanwhile the Department of Defence took on a leading role, and the resources to match, in providing security assistance to foreign countries – erstwhile a statutory prerogative of the secretary of state. The intelligence community and the newly-created Department of Homeland Security also shoved State aside whilst the Treasury Department took over foreign economic policy, coordinating sanctions against rogue states such as Iran and North Korea.

Suspicious of experts, and not lacking in self-esteem, President Trump is underwhelmed by the diplomatic expertise available at the Department of State. Nor does he seem particularly impressed by Rex Tillerson, whose nomination for the job was initially welcomed as a sign that not all sense had departed Washington. Mr Tillerson may not have any experience in diplomacy, he is an expert negotiator who has personally ironed out highly complex business deals with foreign powers. ExxonMobil, the company he headed between 2006 and last year, has often been described as a private empire with its own foreign policy that regularly makes or breaks foreign governments.

As such, Mr Tillerson was expected to inject a degree of pragmatism into an inexperienced administration and, perhaps, provide a counterweight to a president surrounded by highly politicised advisers who observe the world through a monochromatic lens. So far, nothing of the sort has happened. Admittedly, Mr Tillerson is barely three months in office and is faced with a freewheeling president locked in his own, parallel, reality which would challenge even the most experienced of diplomats.

Thus the Washington neophyte is unable to shape an agenda, let alone further one. That job has been entrusted to the president's senior adviser and son-in-law Jared Kushner, and chief strategist Steve Bannon both of whom like to consider themselves foreign policy experts: Mr Kushner because he sealed a few property deals with Chinese companies, and Mr Bannon because he likes to propagate opinions on foreign people, professing an almost equal dislike of Jews and Arabs.

Rex Tillerson, who appears eminently sane, balanced, and intellectual by comparison, is now tasked with claiming a role for his State Department. Whilst it is not a role any secretary of state would willingly choose, Mr Tillerson and his department are increasingly acting as a mop up brigade, dousing fires, putting a positive spin on the president's blunt statements, and providing details and context to his boss' platitudes. The trouble is that Mr Tillerson's interlocutors, mostly senior foreign officials, may doubt his words given the apparent distance between the secretary of state and the president.

Mr Tillerson can also bide his time. It seems inevitable that sooner rather than later the White House will wade into a crisis that bluster alone will not diffuse. The almighty National Security Council is ill equipped to deal with diplomacy, being set up to solve issues through the liberal application of sheer force. Should the North Korea situation escalate, always a distinct possibility, the option of bombing that most recalcitrant of countries back to the Stone Age is not an option – first, because most of North Korea has not yet left that era; and second, because the bits that did are liable to deliver Armageddon on South Korea, Japan, or places further afield. To complicate matters further, China demands consideration as well.

Against a tantrum by Kim Jong-un, the NSC is pretty much powerless. Not so the State Department: it alone in Washington possesses the diplomatic knowledge, expertise, and wherewithal to have protagonists pull back from the brink and sustain dialogues. Moreover, the State Department excels at alliance management: coaxing allies to toe the line, building coalitions, and ensuring desirable outcomes. Again, the NSC hunkered down in the situation room or some such surreal place is not equipped to engage with friends or talk to foes.

For now, though, Secretary of State Tillerson keeps to following events, rather than shaping them. He, perhaps, underestimates his weight as the former CEO of one of the world's largest corporations. He also has the negotiating experience his boss seems to value. He just needs to impose his considerable self on an administration that appears rather clueless. Then again, the foreign policy ineptitude of President Trump and his acolytes is sure to produce a tough situation in the near future. That may be Mr Tillerson's cue to step up to the plate and get going. ❊

"For now, though, Secretary of State Tillerson keeps to following events, rather than shaping them. He, perhaps, underestimates his weight as the former CEO of one of the world's largest corporations."



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> The Return of the Tractor

By Wim Romeijn



Chevrolet 3100

Some things just refuse to die or be consigned to the dustbin of history as progress marches on. Vinyl records, polaroid cameras, non-smart mobiles, and radio valves come to mind. Now your granddad's SUV may be added to that list. Looking for a new status symbol, and hankering after a hi-tech-free driving experience, affluent motorists the world over are snapping up fully restored Broncos, Wagoneers, Scouts, FJ40s, Land Rover 88s, and even the odd vintage Blazer.

Turning away from feature-laden modern SUVs that offer silky smooth rides, oodles of power, and dazzling on-board entertainment systems, today's well-heeled avant-garde motorists are choosing tractor-like rides instead. Long-travel stick shifts, hardened suspensions, and no cup holders or 12-way adjustable seats have become the ultimate statement of hip and refinement.

Where the modern SUV is seldom called upon to navigate anything more than a puddle, and treats speedbumps with the utmost respect for fear of upsetting its delicate electronics, their ancestors have no such qualms and effortlessly take any obstacle in stride. However, that prowess comes at a hefty price: a restored 1972 Ford Bronco can cost up to $125,000. An entry-level Scout II, manufactured by International Harvester in the late 1970s, may be had for about $25K with thoroughly restored models fetching about twice that price.

"We are seeing a shift in perception of what makes a vehicle cool," says McKeel Hagerty of Hagerty Insurance which holds the largest database of classic cars in the world. "Just a few years ago, Broncos, Wagoneers, and similar vehicles from the 1960s and 1970s were seen as utilitarian beasts fit, perhaps, for a struggling chicken farmer. That no longer holds true. These vehicles are now hot property with even dilapidated carcasses fetching record prices at auctions."

"Take the 1950s era Chevrolet 3100 series trucks factory-equipped with the NAPCO Power-Pak option which transformed the rather uninspiring farm vehicle into a veritable mountain goat with a shift-on-the-fly transfer case."

According to Mr Hagerty's data this particular niche is growing twice as fast as the overall classic car market. Toyota, the world's largest carmaker, has taken note and introduced the retro-themed FJ Cruiser to cash in on the action. However, why opt for mod-cons when the real thing is so much cooler?

Take the 1950s era Chevrolet 3100 series trucks factory-equipped with the NAPCO (Northwestern Auto Parts Company, now defunct) Power-Pak option which transformed the rather uninspiring farm vehicle into a veritable mountain goat with a shift-on-the-fly transfer case. Legacy Classic Trucks of Jackson Hole, Wyoming, has now developed a tribute truck using the original (reinforced) frame, coachwork, and cargo bed which represent the ultimate statement for the discerning driver. Although powered by a modern drivetrain centred around a 6.2L V8 engine pumping out no less than 430 bhp, the truck matches the original to the smallest detail. Prices start at $135,000 and the company is having difficulty in sourcing clunkers.

For a more down-to-earth experience, the AMC (later Jeep) Wagoneer – complete with its faux wood panelling – is basking in renewed interest. The model gave rise to the SUV craze before the term had even been coined and suffered only the tiniest of modifications during its 28-year production run – the third longest in US automotive history, outdone only by the iconic Ford Mustang and Chevrolet Corvette, the original muscle car.

Highly collectible and still perfect as a sturdy daily driver, Jeep Wagoneers have become objects of desire. Easy to update thanks to its nearly indestructible 4L straight six engine – the most ubiquitous of US power plants with well over twenty million units produced – a fully restored Wagoneer ready for another million miles or so is a bargain at $55,000. Fiat, which now owns both the Chrysler and Jeep brands, is currently working on a Wagoneer remake scheduled for release to market early 2018.

Some things never change; they are, in fact, timeless. At the dawn of the age of the self-driving car, and in a time when hybrids and other marvels of technology crowd the roads, a certain nostalgia for the gas-guzzling trail-blazing tractors of yore was to be expected. These cages of steel are actually fun to drive, turn heads, devour miles, and navigate almost any obstacle. They are, in a word, unstoppable. ❇

> Fake News: All Rage, No Substance

By Wim Romeijn



It was bound to happen. With the arrival of citizen journalists empowered by the sprawling blogosphere and the onset of post-truth politics, fake news has staked its claim to the increasingly short attention span of (online) readers. Two recent events that upended conventional wisdom – Donald Trump's win of the US election and the Brexit option chosen by voters in the UK, both outcomes decided on the thinnest of margins – have been steered to a surprising degree by fake news stories, planted and disseminated either for lucre or to further an agenda.

Fake news stories differ from spin which, as a rule, always contains a kernel of truth. Spin doctors employed by politicians merely twist the interpretation of facts to deflect criticism or ridicule away from their employers. Fox News, which of course is neither fair nor balanced, does not usually broadcast outright lies and just adds an ideological slant to whatever topic is under consideration. The same holds true, albeit to a slightly lesser degree, for Russia Today which offers a window on the sometimes twisted logic that prevails in Moscow.

Fake news is a different beast altogether. New York Times columnist David Brooks knows all about it. The day after Donald Trump was elected to the White House, social media were abuzz with the "news" that Mr Brooks had called for the tycoon's assassination. As it turned out, the source of this rumour was a website called The Rightists which claimed Mr Brooks had told KYRQ radio of New York that the president-elect should be shot. No such radio station exists and The Rightists admits in its small print – tucked away in the About Us section – that the websites dabbles in a "hybrid of news and satire" and that some of the articles contain events which may not have happened yet.

"Fake news stories differ from spin which, as a rule, always contains a kernel of truth. Spin doctors employed by politicians merely twist the interpretation of facts to deflect criticism or ridicule away from their employers."

US Internet media company BuzzFeed traced more than 140 pro-Trump websites to the town of Veles (population 45,000) in Macedonia. Internet-savvy locals tapped into a veritable goldmine with sites such as worldpoliticus.com which only days before the vote reported its scoop of the millennium: Hillary Clinton to Be Indicted in 2017. This completely made-up story generated well over 140,000 shares and comments on Facebook. The site's manager, a kid working from his bedroom, told BuzzFeed that the best way to generate traffic – and gain income from display advertising – is to reach the Facebook universe.

The more sensationalist a story, the more likely it is to spread as wildfire throughout the social network, gathering clicks and pennies as the "news" travels. That adds up. In the run-up to the US election, most websites managed from Veles received around $5,000 a month from display advertising. However, a good hit on Facebook can easily translate into a $3,000 windfall – earned in less than 24 hours, the time it takes for a fake news item to be exposed and die.

Some of the stories emanating from Veles beggar belief: Pope Francis Forbids Catholics from Voting for Hillary, Oprah Says Some White People Have to Die, Proof Found that Obama Was Born in Kenya, Robert De Niro Switches to Trump and Upsets Hollywood – the variations are endless. A few Macedonian websites tried to cash in on Hillary Clinton and Bernie Sanders but soon discovered their followers to be considerably less gullible than Trump supporters. Hillary and Bernie simply did not generate any traffic deemed worthwhile.

Facebook management is aware of the problem and considering ways to ban fake news from its site. Twitter, another prime source of lies travelling near the speed of light, suffers likewise and promises to look into the phenomenon. Not all fake news is produced for cash. The New York Times found that a story on an anti-Trump protest in Austin, Texas, being part of a conspiracy against the then-Republican candidate started with a local businessman who had spotted a number of coaches parked in the vicinity of the event during his morning commute and concluded that the agitators had been bused in for the occasion. The "news" from Austin received more than 350,000 shares on Facebook. It later transpired that the fleet of buses had nothing whatsoever to do with the protest.

This is what happens when citizen journalists are unleashed on an unsuspecting public. Post-truth politics – the notion that experts cannot possible know more than Joe the Plumber et al – acts as a conveyor belt that delivers a steady stream of outright lies and innuendo that cater to the worldview of the end-user and thus reaffirms suspicions and gut feelings already in place. Apart from severely distorting the real world and painting a picture that never was, fake news makes civilised debate grounded in fact or reason a thing of the past. That cannot be good. ❊



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Urban Sprawl in China: The Uses of Pop-Up Cities

By Wim Romeijn

Whilst urbanists in Europe and North America busily produce increasingly extravagant pipedreams that rival the Jetson's Orbit City for futuristic content (see sidebar), China's city planners are erecting tomorrow's metropolises in the here and now. As the Chinese abandon their rural idyll and move from cottage to high-rise, the country's planners and developers introduced the pop-up city: conurbations that gobble up sleepy provincial towns and create bustling economies where just a few years earlier livestock had roamed freely.

Take Wenling in the Zhejiang Province, some 400 kilometres south of Shanghai by road: in barely thirty years this village surrounded by tea bushes and bamboo forests was transformed into a city of 1.4 million inhabitants – mid-sized, at best, by Chinese standards. Nestled in a fertile valley, Wenling was, until recently, worlds away from outward-looking Shanghai, separated by an almost impenetrable mountain range and without reliable road or rail connections to the China beyond. Home to a small plastic goods manufacturer and lone silk factory, both state-owned, the village got by at a comfortably slow pace, interrupted only by leisurely siestas.



Polynesia



Today, Wenling is served by high-speed trains and a four-lane express motorway. The city proper is formed by a forest of skyscrapers soon to be dwarfed by the 300m tall Wenling Sheraton, scheduled for completion by early 2019. Broad avenues, complete with flyovers, carry heavy traffic at all hours. Nearby Tiger Mountain, now topped with antennae, is barely visible through the thick smog that blankets the city on most days. Wenling Hua, a dialect of Wu Chinese, has all but disappeared from common discourse as Mandarin-speaking workers from Shanghai and elsewhere moved in.

Ningbo, about 200 kilometres north and opposite Shanghai on the southern shore of Hangzhou Bay, has also grown at breakneck speed and now approaches eight million inhabitants – a twenty-fold increase in not even four decades. The annual economic output of the Ningbo metropolitan area currently borders $110bn with average yearly growth rates in excess of 9%. However, Wenling and Ningbo are by no means exceptional: China currently has over a hundred cities with a population of a million inhabitants or more and no less than six megacities (according to UN population estimates) with a minimum of ten times as many people. The OECD computes no less than fifteen megacities in China.

Still, the country's planners are busily erecting new pop-up cities to receive the continued influx of workers from the countryside looking to cash in on the seemingly ever-lasting boom times.

PLANNERS RUNNING AMOK

Since the end of the Cultural Revolution in 1976, more than 500 instant cities have been built. Hundreds more are planned. According to Xinhua, the state news agency, urban planners are running amok: a survey of 156 local-level and 161 county-level municipalities in twelve provinces found that over 90% are planning vast new city districts. A nationwide poll found that new housing projects for no less than 3.4 billion people – almost three times China's total population – are under serious consideration. The country is already peppered with ghost cities – mostly the product of mismatches in planning between administrative levels. However, the philosophy remains simple: build and they will come.

That is what happened to Ordos Kangbashi, the country's largest – and most famous – ghost city. Located on the steppes of Inner Mongolia, Ordos Kangbashi cost some $161bn to build and can house up to 300,000 pioneers. However, the city was designed to receive well over a million inhabitants. Straddling both banks of the Wulanmulun River, Ordos Kangbashi took only six years to build but had attracted only 20,000 or so inhabitants by 2010. Thanks to a few administrative tricks and the steady arrival of newcomers attracted by low-priced housing, the city is now nearly filled to capacity with a busy downtown core and the obligatory traffic jams – a sign that all is well in the desert.



Havvada

Central planning, and overly ambitious administrators, can and does lead to surprising outcomes such as the New South China Mall (NSCM) – the largest shopping centre in the world (by leasable square footage) with almost 660,000m2 of retail space – enough for 2,350 stores. Opened in 2005 to much fanfare, NSCM stands nearly completely empty. It appears that its backers and planners failed to properly gauge local demand. So far, less than 150 retailers, mostly clustered around the cavernous entrances, have dared open shop. For almost a decade the mall harboured just 23 intrepid outlets with demand only picking up after an extensive refit/downsizing exercise. Even so, more than 90% of the facility's floor space remains boarded up to this day – home, amongst other attractions, to a 25-metre-heigh replica of the Arc de Triomphe, a scaled-down copy of Venice's St Mark's Campanile, and a two-kilometre-long canal with gondolas.

Still, there is little doubt that eventually urban sprawl will catch up and inject life into the mall – and into the many ghost cities currently being built. It is estimated that by 2030 over 70% of China's population – easily more than one billion people – will have moved into cities: up from 56% now. Over the past three decades, some 500 million Chinese have become city dwellers – a process recently described by The Economist as "the biggest movement of humanity the planet has seen in such a short time."

MOBILITY ARRIVES

According to a recent study by the McKinsey & Company, one of the largest global management consulting firms, supersized cities such as China's six 10-million-plus megacities (Wuhan is shortly to join the club as number seven) are not necessarily the best venues for economic growth, the effective use of resources, and the provision of (state-sponsored) services. The McKinsey report shows that mid-sized metropolises such as Ningbo and up-and-coming Wenling are outperforming megacities to a significant degree. Hence, China's predilection for the pop-up city which offers planners, time-and-again, a fresh start and an opportunity to apply the lesson learnt from previous undertakings in large-scale urbanisation.

An added challenge faced by planners is the expected steep rise in the number of automobiles. Currently, about 95 million private cars (plus around 110 million commercial vehicles) clog China's roads. Once a tipping point in average prosperity is reached, usually situated around $18,000 per family annually, car ownership takes off – exponentially. China is but a few years away from crossing that threshold, requiring urbanists to adjust their plans to account for a much more mobile population – possibly adding to their woes.

Car ownership is further encouraged by urban sprawl: most Chinese cities lack the density of their Western counterparts with urban cores still dominated by large factories. Due to controlled land prices, industry has little incentive to move towards the fringes of cities, resulting in long commutes as workers are funnelled from distant suburbs into overcrowded and polluted city centres. Whilst huge outlays on infrastructure (since 1992 China spends around 8.5% of its GDP on building and improving its societal hardware) have managed to alleviate pressure, but with urban growth largely unchecked strangleholds start to appear.

Much maligned and often ridiculed, pop-up cities offer ready answers – especially in a country still much enamoured of central planning. Ordos Kangbashi in Inner Mongolia was built to reduce the pressure on Ordos (around two million inhabitants) which is hampered by limited water supplies. By administratively joining existing large cities into huge conurbations such as JingJinJi (Beijing, Tianjin and the ancient name for Hebei, Ji) in the Pearl River Delta, a proposed megalopolis of some 130 million give or take, planners hope to spread the load, combining the resources of the three areas and creating synergies – in the process also redirecting industry and growth away from Beijing whilst maintaining the economic dynamics that have transformed the country and turned towns and villages into thriving cities that never sleep. ❊

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The group holds out strong optimism on the development of China and are actively participates in various businesses. It has established itself as one of the largest foreign direct investors in the country. The group's existing investments in Mainland China have exceeded $16.5 billion as at 30 June 2016, spreading across four municipalities and nineteen provinces.

New World Group continued to showcase its craftsmanship for all services and products through The Artisanal Movement, with excellent results. With regard to property development in Hong Kong and Mainland China, a range of meticulously designed developments featuring a blend of different elements will be launched at appropriate times.

A revolutionary museum retail concept and a hybrid model of art and commerce founded by the Group Executive Vice Chairman Mr Adrian Cheng – K11 – is the world's first original brand to pioneer the blend of three essential elements of art, people, and nature. As an international high-end artisanal brand, K11 merges and created a sustainable "art x commerce" business model, creating a museum retail concept which is a break through to the traditional retails transformation. The K11 concept will be implanted in several of the group's upcoming investment properties.

To maximise the interests of its stakeholders, key strategies are pursued to streamline the group's structure, unlock the hidden values, improve operational management, and enhance efficiency through internal synergies. The establishment of a new joint-venture company with HIP, a wholly-owned subsidiary of the Abu Dhabi Investment Authority, to own three trophy hotel assets in Hong Kong to crystallise its asset values is one of the best examples.



Mr Au Tak Cheong (left), Executive Director and CFO of New World Group, and Mr Aldous Chiu (right), General Manager of Investor Relations of New World Group.

New World Group recognises the importance of maintaining effective communication with shareholders and investors, and strives to convey clear messages to shareholders for a proper assessment of the company. The group's investor relations practice continues to be highly recognised by the capital market, earning a high degree of trust and confidence of market participants. The group's investor relations team will continue to serve the best interests of shareholders, ensuring regular and proactive communications with shareholders are kept in place.

Looking to 2017, the New World Group will continue to hold a positive and optimistic outlook, as it embraces challenges as well as opportunities with an open and innovative mindset. The group will continue to enhance customers' experience with upgraded services and products by extensively seeking their feedbacks, with a view to consolidating superior standing of the New World brand and maximising the interests of stakeholders. ❊

> CFI.co Meets BSC Management Team:

Expertise at the Helm

The sustainable development and constant growth of BIDV Securities JSC (BSC) for the last seventeen years are result of the continuous effort and dedication of its entire staff.

Current Chairman of the Board Doan Anh Sang boasts well over thirty years' of experience in the financial services world. Mr Sang is also deputy general director of Bank for Investment and Development of Vietnam (BIDV).

BSC's Chief Executive Officer, Do Huy Hoai is responsible for day-to-day operations. Mr Hoai has worked for 28 years in the banking sector with an emphasis on stock market operations and transactions. BSC's success and achievements is in part credited to his management expertise. As such, BSC has been a noticeable presence in Vietnam's securities industry since the establishment of the country's twin stock exchanges.

Director of Investment Banking Pham Xuan Anh brings fifteen years of experience to the company and is responsible for this strategic division of BSC. His clients include industry-leading companies in both the private and public sectors such as Eurowindow Holdings, Vietnam Airlines, Bank for Investment and Development of Vietnam (BIDV), Corporation of Vietnam Airports, and petrochemical Binh Son Refinery.

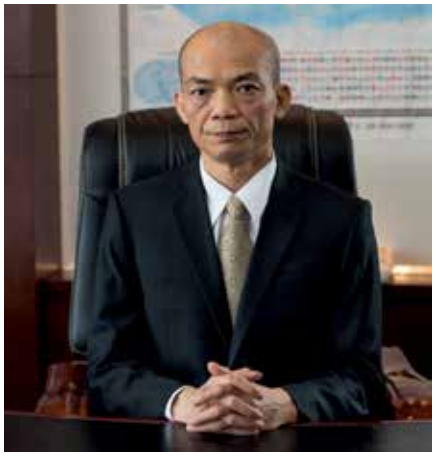
Tran Thang Long, Director of Research at BSC, has specialised in deep market research for over a decade. His team provides strong back-up to BSC clients, investors, and other departments. He is a reliable source of information and regularly publishes updated market-coverage reports. By providing potential investors with thoughtful corporate insights, the Research Department directly contributes to the success of IPOs of major companies.

Last but not least, Tran Ngoc Diep, chief accountant of BSC, is in charge of cohesive planning, administrative organisation, and risk management. With executive management experience spanning ten 10 years, Mrs Diep has contributed tremendously to the smooth and seamless running of BSC's internal management system. She enjoys the full trust from the board of directors and departmental heads.

Determined to become a full-fledged investment bank in Vietnam, BSC management promotes skills development and innovation amongst the firm's employees. In order to achieve the objective in near the future, BSC has set up several programmes and initiatives that serve three core principles:

- *The development of the customer network.* In essence, it is crucial to concentrate on both the governmental business sector and industry-leading private businesses. This undoubtedly creates a vast network of customers which enables the cross-selling of products and services and promote synergies.
- Additionally, BSC aims to *develop its HRM team* in order to further increase efficiencies within the organisation. Every employee is given opportunities to gain experience and develop skill sets. The focus is not merely on investing in human resources, but also on the ability to perform in a professional working environment. BSC has managed to attract and retain highly qualified professionals who are committed to look after the long-term interests of the company.
- BSC has successfully managed to *nurture and cultivate its corporate image and identity.* In recognition of its achievements the company has received a number of prestigious awards from both stock exchanges (HNX and HSX), the Ministry of Finance, and international entities for its contribution to the development of the Vietnamese securities market.

Finally, BSC actively fulfils its corporate social responsibility via a number of programmes that aim to alleviate poverty and promote education. BSC is also actively engaged with efforts to reduce and eliminate illiteracy. CSR initiatives are undertaken in all parts of the country. ❊



Mr Do Huy Hoai



Mr Doan Anh Sang



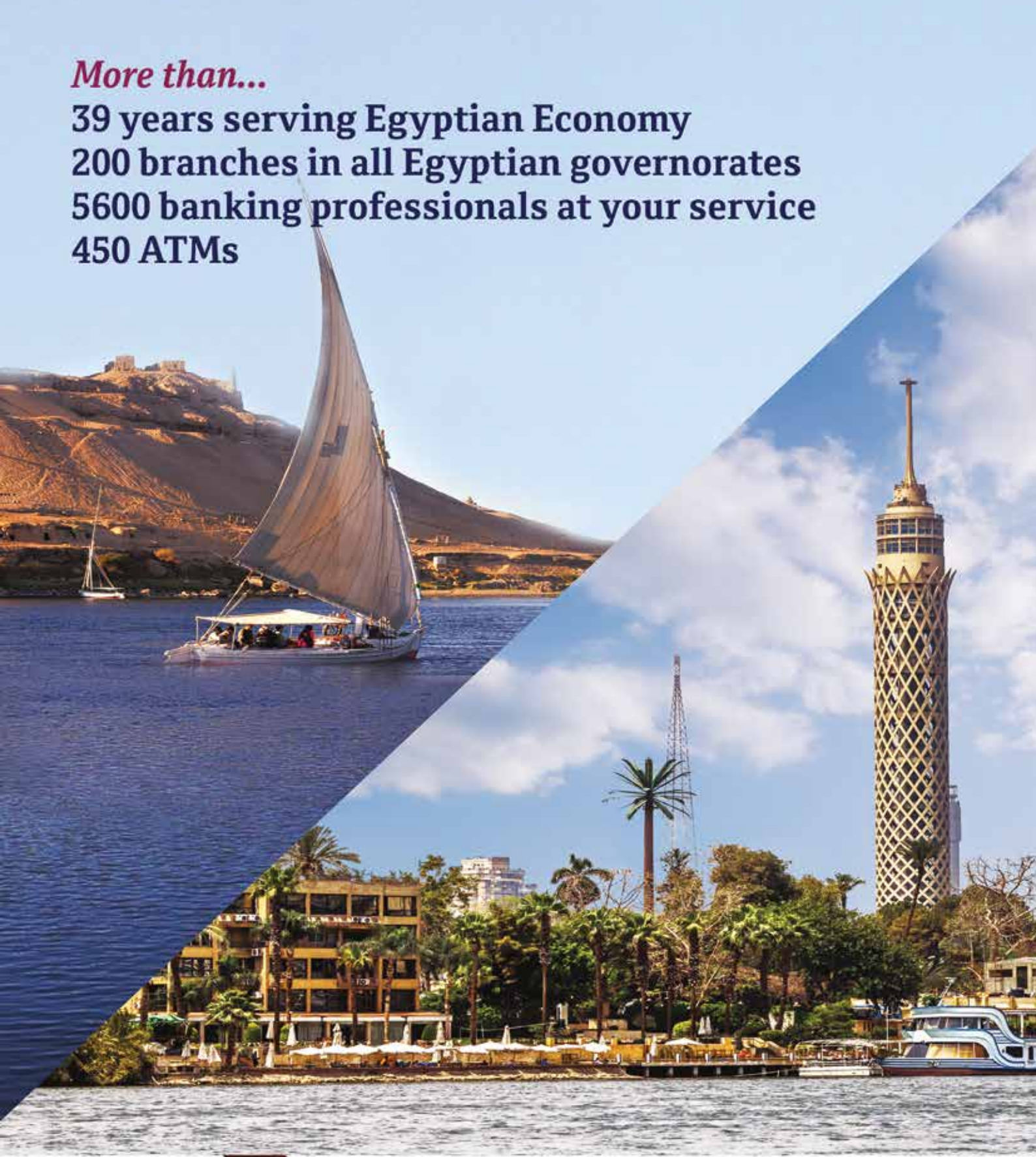
Mr Tran Thang Long



Ms Tran Ngoc Diep



Mr Pham Xuan Anh



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> BSC:
Agile Market Pioneer

Established late November 1999, and formerly named BIDV Securities Co Ltd (BSC), BSC was one of the first securities companies in Vietnam financial market. In late 2010, BSC went through an equitization process and was renamed into BIDV Securities JSC in January 2011, thus following the development orientation of the Bank for Investment and Development of Vietnam (BIDV), its parent company, and providing a better fit with the demands of the market.

BSC is amongst the first Vietnamese securities companies to have assessed and certified the quality of its management according to ISO 9001:2000 standards. With its strong financial position and demonstrated reputation in the market, BSC has established and maintained long-term relationships with domestic and foreign partners, institutions, and clients to



Vietnam: Ho Chi Minh City

"BSC has established and upheld long-term relationships with domestic and foreign partners."

create a wide network to widen the firm's global footprint and diversify its services.

BSC provides integrated and comprehensive financial services from securities brokerage and investment and trading to bond issuance and corporate financial advisory. The front offices are assisted by, amongst others, a dedicated research department. As a subsidiary of BIDV, the largest state-owned commercial bank in Vietnam in terms of equity capital, BSC has benefited from an ability to access the large client and branch networks of the parent company. Therefore, BSC has established a well-diversified client database comprised of both individuals and institutional clients. In particular, BSC maintains close relationships with enterprises in both the public and private sectors.

With regard to stock brokerage, BSC has consistently remained amongst the top ten securities firms dealing on the Hanoi and Ho Chi Minh stock exchanges (HNX and HSX). This is due to BSC's firm commitment to serve its customers' interests and keeping short and direct lines of communication. BSC professionals are on hand to promptly advise clients and help them navigate the markets safely and profitably.

The BSC Investment Banking Division has remained a separate entity since its foundation in order to provide corporate financial advisory services relating to equity (equitization, listing, divestiture, etc.), debt (bond issuance), restructuring, and M&A. With its well-trained and experienced staff, BSC has advised many important transactions, such as:

- The successful equitization of major industry-leading conglomerates such as Airports Corporation of Vietnam (2014), Vietnam Airline Company (2014), Vietnam National Textile and Garment Group (2015), and Binh Son Oil Refinery (2016).
- The successful closing of many M&A transactions such as the share divestiture of PENM Partners, a Denmark private equity fund, at EuroWindow to a Japanese investor which then became the strategic investor of that company; and, the strategic share purchase advisor of CJ Cheijidang, a multinational Korea-based agribusiness firm, at Vissan JSC. These are but two of many significant M&A deals BSC has advised successfully thus far thanks to its high international exposure and with the participation of major foreign clients and advisors (Amidas, Deloitte, Baker & McKenzie) in full compliance of international best practices. The successful outcome completely satisfied our client and has now become a stepping stone that enables BSC's M&A Division to reach far beyond Vietnamese borders.
- Regarding bond issuance advisory services, BSC always affirms the leading position on the list of government bond auction members and on the list of bidding brokers according to the ratings of the Hanoi Stock Exchange (HNX). Total transaction value for bond issuance advised by BSC exceeds 22.000 billion VND ($965 million). Some notable transactions include Lilama Corporation ($35m, 2016), Vinacomin ($142m, 2014), Vincom ($950m, 2008), Hoang Anh Gia Lai Group ($480m, 2014). The Vinacomin bond was issued successfully and became a highlighted transaction in 2014. It constituted the first bond issuance in the market that was successfully offered to nine financial institutions, increasing the socialisation characteristics by widening the participation of financial institutions in the local bond market.

BSC's Research Department focuses on continuously improving its strong support to the front offices and facilitating investors' understanding and decision making processes. With the advantages of a broad and deep database, an extensive range of analytical products, and an experienced team, BSC is capable of approaching, analysing, and evaluating the macro and micro economy, the market, and corporates in a systematic and comprehensive manner. The reporting system is updated and published regularly to meet the needs of all stakeholders. BSC publishes quarterly and annual macro analysis reports, industry overviews, investment advisory recommendations, and company reports.

In recent years, the contribution of BSC to the financial market of Vietnam has been recognised by domestic and foreign organisations. The firm has received prestigious awards including a certificate of merit from the Minister of Finance for its contribution to the development of the stock market in the period of 2009-2014, Vietnam's Best Debt Capital Market House 2015 awarded by Finance Asia Magazine, Best Equity House in Vietnam by Alpha South East Asia Magazine, and Best Investment Management 2016 awarded by World Finance Magazine.

BSC has consistently worked towards attaining, and maintaining, its long-term goal of becoming the premier investment bank in Vietnam. This goal is reflected in the firm's strategic vision and its development strategies:

- Service development: to become a one-stop shop to offer clients a comprehensive suite of services.
- Client development: to develop and maintain client relationships with both state-owned entities and privately-owned companies to create a wide client network and pursue synergies.

Additionally, the strategic international business division aims to enhance BSC's corporate image and branding regionally and globally over the coming years. ❇

> Sakar Healthcare Top Management:

Vision and Ambition

Sakar Healthcare Ltd.

Sakar Healthcare commercialises pharmaceutical products since 2005. Founder and Managing Director Sanjay Shah plays a key role in articulating the innovation that propels the company's growth. Mr Shah's honed his skills and expertise in the plastics and mineral water industry over decades, prior to entering the crowded pharmaceuticals domain. In the process, he pushed boundaries and came up with visionary ways to progress in this competitive business.

Mr Shah strongly believes that by obtaining a MBA degree has acquired the necessary skills needed to successfully run a company. At the same time, it is of vital importance to maintain a naturally good outlook and take care of employees. According to his personal vision, passionate people can change the overall culture and help shape an incredible environment. This philosophy, and a fair measure of business acumen, allowed Mr Shah to deliver on promises and build the credibility of Sakar Healthcare. Currently, he spearheads the corporate strategy decision-making process, leveraging core competencies and foresight.



Sanjay Shah



Rita Shah

Whether it is greater market share, larger profits, a higher stock price, or preferably all three; Rita Shah, promotions director at Sakar Healthcare and a science graduate, excels at ensuring the company runs smoothly. Mrs Shah is in charge of administrative and human resource operations. She defines her success through challenging limitations, facing the odds, and developing insights: determinant factors that command respect.

Aarsh Shah, a pharmacist with a MBA from University of Cardiff (UK), is joint managing director at Sakar Healthcare. With a well-developed understanding of contemporary business models and operations, Aarsh Shah manages the company's business operations with precision. He also leads the international business development project, expanding into overseas markets and establishing credible channel partnerships. His contribution helped Sakar Healthcare leverage its core competency of manufacturing pharmaceutical formulations that are used in 35 countries. The product portfolio includes small volume parenteral, (including lyophilised products in vials), cephalosporin (tab, cap, sachet, dry syrup, dry powder injection), and oral liquids.



Aayushi Shah



Aarsh Shah

JK Rowling once said: "It is our choices that shows what we truly are, far more than our abilities." Foregoing a promising in fashion technology, following of her studies at the London College of Fashion, Aayushi Shah, with an executive MBA from Cambridge University, decided to join the family business. Her flexibility in approach, inquisitiveness, ability to convert ideas into reality, help align internal functions through operational excellence. It also allowed Sakar Healthcare to gradually broach regulated markets.

Management excellence coupled to top operational performance have powered Sakar Healthcare to claim an enviable market position from which the company now aims to grow further, establishing, as it does, a truly global footprint. ❊



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> MAPCO:

Building an Agriculture Powerhouse in Myanmar

In January 2012, U Chit Khine, chairman of the Myanmar Rice Federation (MRF), together with senior central executive committee members of the MRF, had a courtesy meeting with HE President U Thein Sein and cabinet ministers. The purpose of the meeting was to promote a private public partnership for the development of rice industry and agriculture sector of Myanmar. One of the outcomes of the meeting was to form a public company to increase the investment and trade of the rice industry and agriculture sector. As a result, the Myanmar Agribusiness Public Corporation (MAPCO) was formed under the guidance and initiative of the Myanmar Rice Federation. MAPCO therefore acts as the business arm of Myanmar Rice Federation.

MAPCO is fully-owned by private investors. The company intends to mobilise public savings and foster broader investment in agriculture and the agribusinesses of Myanmar. In addition, MAPCO was founded in response to the growing demand for a business corporation to lead the private sector of Myanmar's rice industry. Using a market-based approach and strategy, as well as working in partnership with stakeholders from farmers to exporters, MAPCO promises and promotes sustainability and profitability in the interest of national food security and the development of the rice and broader agriculture sectors of the country. MAPCO works closely with the government of Myanmar to set up and invest not only in modern rice mills and warehousing facilities but also in infrastructure and strategic projects that help alleviate poverty through agribusiness activities in rural communities. The set of ideals that MAPCO carries represents a paradigm shift from the previous agribusiness model towards a more robust and comprehensive system.

EXPORTS OF AGRO-COMMODITIES

The agriculture sector is central to Myanmar's economy and accounts for about 30% of the country's GDP. It provides employment to two-thirds of the population of about 55 million people. Up until the 1950s, Myanmar was the biggest rice exporter in the world, and was known as The Rice Bowl of the World. Now, with a fresh new outlook, Myanmar is ready to revive the agriculture sector back to its vibrant days



with plans to double rice exports in the very near future.

In May 2013, MAPCO, under the endorsement of the governments of Myanmar and Japan, successfully exported 5,000MT of high-quality white rice to Japan for the first time in 45 years. This is an important milestone not only for MAPCO but also for Myanmar as it signifies the beginning of many more arrangements, which will promote high quality rice exports.

In May 2014, MAPCO and Mitsui, working in close cooperation, successfully exported a second shipment to Japan of 6,000MT of high-quality Myanmar rice. MAPCO now exports Myanmar white rice to Japan, Indonesia, China, and a number of European Union member states, in addition to countries in Africa and the Middle East. MAPCO rice products come in various grades such as 5% broken and 10%, 15%, 25%, and 100% broken. Packing sizes can be customised by weight or per buyers' requirements.

MAPCO is always ready to offer high-quality products at the most reasonable and competitive price. The company supplies mostly on FOB terms, however, it can supply on CFR and CIF terms depending on requirements and conditions. Payment is accepted via letters of credit and wire transfers via international banks.

MAPCO, in collaboration with its strategic partner Mitsui, has initiated and pioneered the export of Myanmar white rice 5% (super quality) to Japan, in 2014 and in 2015. This initiative marks a historical and remarkable step forwards as Myanmar successfully resumed rice export to Japan in 2014, after a 40-year hiatus.

MAPCO also initiated and pioneered rice exports to China in 2015. The first official rice shipment was successfully dispatched by MAPCO in collaboration with COFCO of China. This again was a historical and remarkable achievement for the Myanmar rice industry.

MACHINE AND TECHNOLOGY IMPORTS

MAPCO imports innovative and high-tech agricultural machinery and equipment not only for its own use, but also for other agribusinesses which want to modernise their operations. MAPCO has formed a special-purpose subsidiary – MAPCO Engineering & Contracting – to offer the following products and services:

1. Design and engineering of agricultural plants, factories, rice mills, grain dryers, and storage warehouses and silos;
2. Installation, commissioning, supervision, and operation and maintenance training;
3. Turnkey and semi-turnkey services for rice drying, storage, and processing and reprocessing;
4. Supply, installation, and commissioning of grain dryers, colour sorters, and other machines;
5. Rice husk-fired biomass power generation plants; and
6. After-sales, repair and maintenance, test run, and other related services.

INTEGRATED RICE COMPLEX PROJECTS (IRCPS)

The IRCP concept aims to establish a unique introduction of a multidimensional and multifaceted value addition to the rice production and rice value chain. In a normal mill, the rice to be milled and processed is purchased from farmers. However, the consistency of grain quality, and food safety and traceability, are often neglected aspects.

Under the IRCP concept, which differs significantly from the conventional and traditional rice mill, MAPCO collaborates with farmers to obtain a stable supply of consistent-quality paddy under a contract farming scheme which includes the provision of the right quality seed to farmers, the right technology and best practices, the right crop protection and fertiliser inputs, and the working capital provided. Besides, MAPCO provides farm mechanisation services such as the rental of tractors and combine harvesters.

At post-harvest level – after the raw material and paddy grains have arrived at the company's terminals – the input is properly cleaned and dried by using the latest grain-drying technology. The resulting product is then systematically stored in warehouses and silos to ensure optimum quality control and the maintenance of the required moisture level. The warehoused paddy is subsequently moved to milling plants where it is processed using SATAKE rice milling equipment.

Since MAPCO rice is the result of better quality paddy, plus the application of premium drying, cleaning, storage, and processing techniques, top quality and freshness are ensured. MAPCO's rice is packaged and distributed to the domestic and international market under the MJ Rice brand name – the flagship brand promoting Myanmar Product, Japanese Standards logo.

MAPCO's IRCP concept promotes business activities in rice supply and across the value chain, working very closely with all upstream and downstream stakeholders. The company's involvement spans over preharvest, harvest, and post-harvest stages which sustains food safety and traceability under the "from seed to market" and "from seed to spoon" concepts. As MAPCO's objectives includes promoting both food security and rural agribusiness activities, IRCPs are the main drivers to implement these objectives.

With its own power generator fired by rice husks as well as a water treatment system, the IRCP uses renewable inputs to ensure complete self-sufficiency, green development, and sustainability over the long run. The IRCP will carry out the following:

- State-of-the-art rice processing facility
- Mechanised warehouses
- Parboiling facility
- Rice bran oil plant
- Rice noodle, vermicelli, and other value added by-products
- Husk-fired power generator
- Water treatment system

In order to attain these objectives, the first IRCP will be established in Twantay, Yangon Region. The site selected for the project is of crucial importance for promoting agricultural development that benefits farmers and other stakeholders with easy access to waterways and highways for connectivity. The IRCP will have 1,000 tonnes per day capacity, making the facility the largest mill in Myanmar. ❇

> Swarna Pragati Housing Microfinance Private Limited:

Housing India's Rural Population

Swarna Pragati Housing

Shri A Ramesh Kumar is creating a system that enables rural populations to access housing finance, leveraging the existing network of self-help groups, NGOs, and micro finance institutions (MFIs).

The formal banking sector has denied rural populations access to housing finance primarily because existing housing finance products and mortgage structures are not built to serve rural populations, due to their long-term nature, collateral required, difficulty in the absence of credit histories, and high cost of outreach into the rural heartland.

Shri Ramesh, a former banker, is rethinking the entire housing finance model to address these gaps. His organisation, Swarna Pragati Housing Microfinance, seeks to finance the construction of a home through a series of modules – with a series of shorter term loans (incremental housing finance) that would enable different parts of the house to be built over a period of time. To make these loans, Mr Kumar is working with an alternate approach to assess collateral and credit history of rural populations by creating a paralegal mortgage backed up by the self-help group members the recipient is part of, and approved/acknowledged by the Village Panchayat (local self-government). To identify suitable recipients and scale his work, he partners, after an extensive vetting process, with grass roots institutions that already sustain a deep and on-going relationship with a community.

Inclusive housing is a national priority in India. As such, there is an urgent need for alternative financing models because of the failure of the formal housing finance system in addressing the housing needs of the poor and other marginalised sections.

High transactions cost to lend low income group, lack of clear land titles, low profit margins, uncertainty of repossession, etc. are major factors prohibiting many housing financing institutions to step into low segment housing finance business. On the other hand, there is hardly any incentive for them doing this.

However, low margin and low repaying capacity in case of low segment housing credit market may not be true in all contexts. In the words of the Prof Muhammad Yunus, "it is not people that are not credit-worthy, it is banks that are not people-worthy".

Swarna Pragati is looking at a house as a set of modules (flooring, walls, roofing, toilet, workspace) or (one room, kitchen, toilet, workspace) that can be financed one module at a time rather than via a single long-term mortgage. As rural families typically can only predict their incomes in the short term, a modular loan with shorter payback period is a better fit for their income pattern.



Shri A Ramesh Kumar

Swarna Pragati has financed over 15,000 homes across five states in India over the past four years. Mr Kumar has built partnerships with over thirty NGOs and microfinance institutions. In order to tackle the enormity of the issues of improving living conditions in rural communities, Mr Kumar strongly believes that more private and public players are needed. By demonstrating the success of his model and continuing to scale it, Mr Kumar is galvanising other players to move into housing microfinance space.

Ramesh Kumar was brought up in different parts of the country as his father worked with the central government in civil aviation and often relocated. Ramesh' father was a highly influential force in his life and someone he regarded as his strongest role model growing up. One of the qualities he most admired in his father was his ability to connect, empathise, and move with people from all walks of life – something that was instilled in him as important.

Ramesh Kumar was an all-rounder at school and became the school captain for his excellence in academics, sports, and collegiality. He was also part of the scout movement and was one of a few select students across the country to receive the President's Scout Award. This also instilled a strong sense of community service and patriotism in him. Ramesh Kumar went on to university to study Physics at the University of Delhi on full scholarship – only given to one student per discipline.

During the time of his graduation from university India was experiencing a new wave of change politically and economically. In particular, as part of the post-nationalisation of banks within India, government was mandating banks to incorporate developmental finance within their activities. There was a push for banks to expand financial services to rural markets to improve livelihoods. It was this new shift within the banking sector that drew Mr Kumar towards it. He wanted to contribute by leveraging financing for economic development of rural communities.

In 2009, Mr Kumar started Swarna Pragati to personally initiate efforts to address the market gap he was consistently seeing around access to housing finance in rural communities. Having developed a revolutionary new approach to rural housing finance and proven the concept and financial model, he received assistance from social impact investors to scale up his operations. Mr Kumar is now a direction setter of the entire ecosystem for rural housing finance. He knows his model will light up the path for many others. ❊

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> SpiceJet: Soaring High



SpiceJet is an Indian scheduled airline which commenced operations in May, 2005. The airline, which has made flying more affordable for Indians than ever before, commands a market share of approximately 13.1% at present. SpiceJet operates 340 daily flights to 46 destinations, which includes seven international destinations.

The year 2017 took off on a very promising note for the airline. On January 13, SpiceJet announced an order for 205 next-generation Boeing airplanes valued at $22 billion – making it the biggest order placed by any Indian airline with Boeing in its history. The historic order, which ends the turnaround phase for SpiceJet and marks the beginning of a growth story, will see the airline expand its wings – both within and outside the country.

SpiceJet carried approximately 12.7 million passengers during the fiscal year 2016. The airline connects its destinations with a fleet of Boeing 737NG aircraft along with Bombardier Q-400s with majority of the airlines' fleet offering SpiceMax, the most spacious economy class seating in India, at an additional fee.

SpiceJet is listed on the BSE and headquartered in Gurgaon. Mr Ajay Singh is the chairman and managing director of SpiceJet and holds around 60% stake in the company. One of the co-founders of the airline, Mr Singh returned to the airline to revive the company from near shutdown within a span of just three quarters. Since then, the airline has won customer confidence back.

SpiceJet has excelled on all operational parameters and emerged as the country's most punctual airline with the best on-time performance for the past five months in a row. SpiceJet has also recorded over 92% passenger load factor for 24 successive months – a feat unequalled in global aviation history.

The airline which has been trending all through 2016 with multiple awards and accolades, was adorned Asia's Greatest Brands 2016 by the Asia One Board (Jan, 2017). Marking a clean sweep at the Asia One Awards, Singapore, SpiceJet walked away with top recognition in prime categories with Chairman and Managing Director Ajay Singh honoured with the title of the Global Asian of the Year, Chief Financial Officer Kiran Koteshwar was conferred Asia's Greatest CFO 2016 award. SpiceJet was also awarded CAPA Chairman's Order of Merit for fastest turnaround in FY 2016 (Feb, 2017).

Some of the other key accolades won by the airline in 2016 include World Travel Leaders Award received by Mr Singh at the WTM London (Nov, 2016), Best Check-In Initiative Award by Future Travel Experience Global Awards in Las Vegas (Sep, 2016), Smart Check-In Initiatives awarded at CIO 100 India Symposium & Awards in Pune (Sep, 2016), Best Employee Engagement amongst 104 corporate entries at the 4th DMA – Thomas Assesments National Award for Excellence in Talent Management in New Delhi (Aug, 2016), Best Transportation Brand as well as the Best Airline Brand in India for 2016 by Brand Trust Report (Apr, 2016), and the four Best Domestic Airline Awards, one for each of the four regions of India by DDP TravTalk.

The year also catapulted a vibrant brand makeover establishing a new image and brand values. The new brand campaign reflects the fact that SpiceJet is different – Red. Hot. Spicy. It is aimed at putting the airline's core DNA of making flying un-boring and adding back the zing.

The company's current growth and operational strategies are derived from a deep understanding of economic stimuli and customer needs, and the ability to translate them into customer-desired offerings through cutting-edge products, enhanced connectivity, on-time performance, and superior technical knowledge and expertise.

Known for its pathbreaking innovations in terms of operational efficiency, customer convenience and pricing strategies, SpiceJet, in sync with its corporate vision, today stands as India's most-preferred low cost airline, delivering the lowest air fares with the highest consumer value, thereby fulfilling everyone's dream of flying. ❇

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> EFSI (European Fund for Strategic Investment):

Europe's Investment Offensive Is Working

By Wilhelm Molterer – MD of European Fund for Strategic Investment (EFSI)

How many positive stories about the EU do we see nowadays? There are not many, but one is gaining momentum. This is the concrete example of a flagship EU programme, launched in 2015: the European Fund for Strategic Investments, EFSI for short, which was set up jointly by the European Commission and the European Investment Bank (EIB) Group. EFSI has been implemented rapidly by the EIB and the European Investment Fund (EIF) to help the EU find its way to economic recovery after the crisis. It is helping to overcome the current investment gap in the EU by mobilising financing for strategic investments and is contributing to restoring competitiveness, increasing growth and creating jobs.

EFSI is part of the bigger Investment Plan for Europe (IPE) that comprises not only the financing firepower of EFSI, but also advisory and regulatory reforms for building an investment-friendly environment. And one thing is clear: all three pillars of the Investment Plan for Europe are critical to achieving the aim of boosting private investment in the EU and generating growth and jobs. This is because investors need legal certainty, regulatory stability, and a framework that encourages them to make new investments.

And the initiative works: one and a half years after its launch, 54% of the three-year investment target of mobilising €315bn in additional investment has been met. This covers all EU member states and all eligible sectors, with 30% of the support going to SMEs, 23% to energy, 21% to research and development, 10% to digital infrastructure, 8% to transport projects, 4% to environment and resource efficiency, and 4% to social infrastructure. It demonstrates that the often criticised EU framework can deliver tangible benefits when it comes to stimulating private and public investment, creating jobs and supporting growth.

Moreover, EFSI is not only about numbers. The Investment Committee decides on granting the EU guarantee to individual EFSI projects based on a thorough analysis of the eligibility and additionality of each project. In practice, the concept of additionality means that EFSI enables the EIB Group to increase the scale and scope of its financing activities beyond the extent that would otherwise be possible, focusing on operations with a high risk profile and addressing market failures or suboptimal investment situations. What is relevant for the investment community is continuity of the EFSI instrument and its fundamental features, and the reliability of EFSI support for eligible risky projects beyond 2018.

> "And the initiative works: one and a half years after its launch, 54% of the three-year investment target of mobilising €315bn in additional investment has been met."

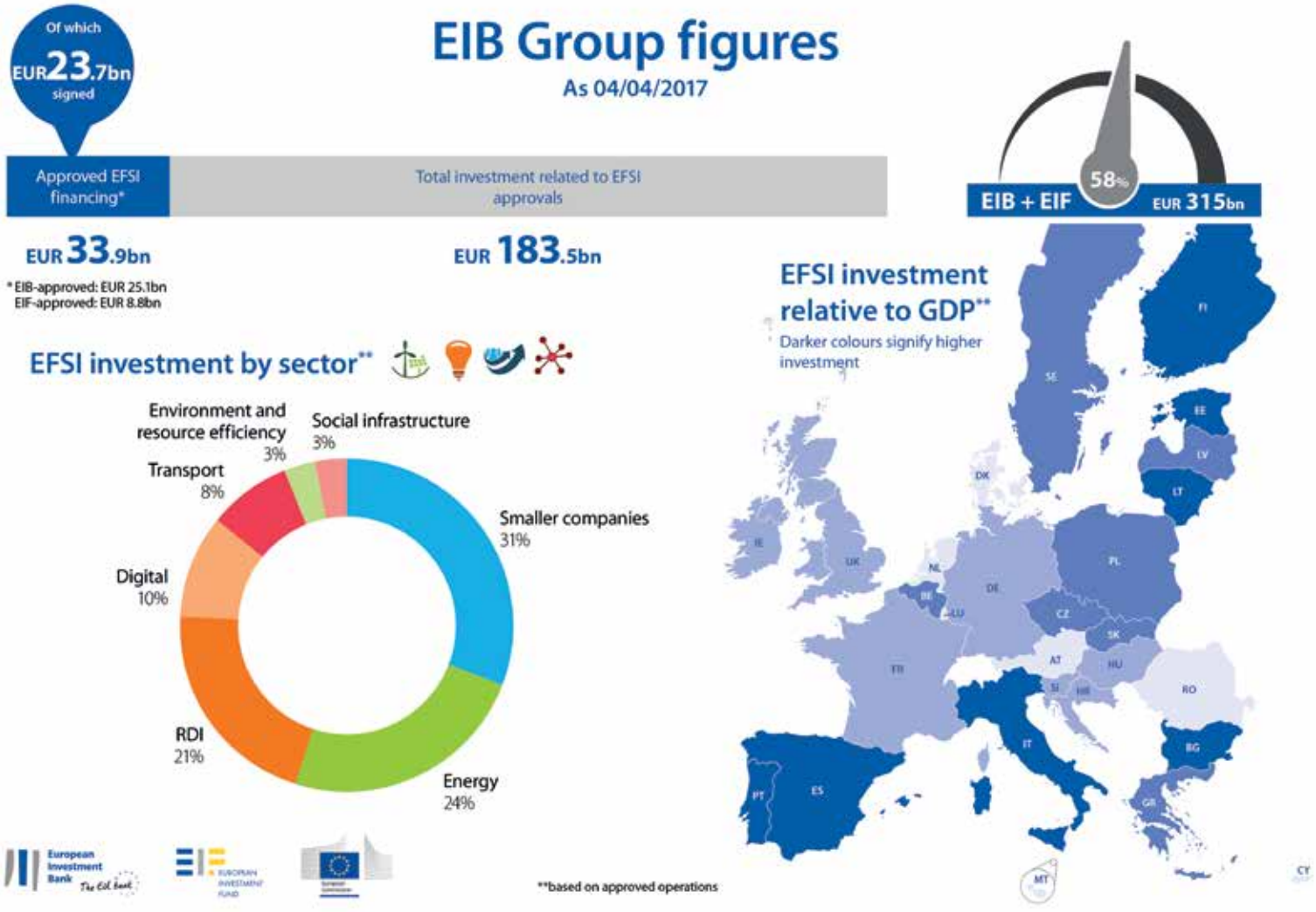
EFSI is not "business as usual" but rather a real game changer for the EIB Group: around three out of four of the projects benefiting from EFSI are with clients that are new for the EIB Group. Thanks to EFSI, the volume of risky new operations at the EIB is already more than three times larger than it was, and a range of new products have been introduced in order to support previously underserved markets and beneficiaries. At the same time, the EIF has boosted its support for SMEs, and also launched new initiatives, for example in the areas of social impact finance and micro enterprises. So far, almost 400,000 SMEs are expected to benefit from EFSI.

EFSI is not competing with European Structural and Investment Funds (ESI Funds) and is not a threat to the cohesion policy. It complements existing EU instruments to address market failures and close investment gaps, taking higher risks than commercial investors are able or willing to take. It is a model to reinforce the impact of the EU budget, the ESI Fund or other national resources by making it possible to achieve more with the same amount of budgetary resources and catalysing private finance to produce investment. A key factor is that ultimately, the decision on the use of the ESI funds or national resources, whether in combination with EFSI or not, lies with the authorities on the ground.

In its first one and a half years, the Investment Plan has created positive momentum in the EU, but investment dynamics remain fragile. In order to send a strong signal to project promoters and investors and deliver more certainty and visibility regarding the future of the joint initiative, a proposal has been made to extend its duration and increase its size. Building on good initial results, the new proposal addresses the lessons learned while preserving the efficiency and strengths of the instrument.

At the same time, EFSI needs to remain a market-driven instrument focusing on competitiveness, growth and jobs. EFSI will therefore continue to address market gaps, crowding-in the private sector where possible. The strength of the instrument is its direct link to the real economy. Again, EFSI is not an instrument of the cohesion policy, or a development instrument. This is why there are no geographic or sector quotas. It is essential to preserve this demand-driven element of EFSI's nature going forward, as it is the only way to convince other investors to join in and back the investment projects.

Ensuring a better geographical balance is one of the driving factors behind the strengthening of the European Investment Advisory Hub (EIAH), a joint European Commission and EIB initiative,



"While transparency requirements are of great importance – and EU institutions must lead the way – confidentiality is also key for EIB clients. There are many unique projects backed by EFSI that are driving technological frontiers."

hosted by the EIB. The EIAH helps to identify the right avenues for financing and provides technical assistance for applying for the right funding. EIAH can also assist in building local capacity to prepare, develop, and implement such projects. For certain sectors, the EIAH may also provide advisory support on the implementation of new service delivery models. Another way to achieve a better geographical reach is to extend the scope of EFSI to cover the bio-economy or industry in less developed and transition regions.

While transparency requirements are of great importance – and EU institutions must lead the way – confidentiality is also key for EIB clients. There are many unique projects backed by EFSI that are driving technological frontiers. From satellites to bioplastics, from low-carbon technologies to innovative surfaces for every-day use in kitchens or building facades, EFSI is making an impact. But it goes without saying that preserving the commercially sensitive nature of the projects is paramount if EU companies are to gain and preserve leading positions in their respective fields.

In a nutshell, the vision for extending EFSI can be summarised as follows:

- Continue to ensure timely and efficient delivery, which is and should remain market-driven;
- Maintain a clear policy focus on competitiveness, growth and jobs;
- Maintain a clear link between additionality and risk to provide promoters with certainty regarding financing conditions; and
- Support improvements to achieve a better geographical balance including by strengthening the role of the European Investment Advisory Hub.

The EIB Group constantly works to deploy EFSI where it is needed the most and will continue to do so, to support jobs and growth in the EU. Success will be judged not only in economic terms, but in many Europeans to seeing and feeling its concrete effects in their daily life. EFSI will help to achieve more with limited EU budget resources and to ensure that those resources have a major impact. Crucially, the long-term benefits of EFSI will also depend on our joint European capacity to establish an investment-friendly environment across the EU by identifying and removing investment barriers and truly completing the single market. ❊



Author: Wilhelm Molterer

Misconceptions and a Bumpy Ride Ahead

By Wim Romeijn



The troubles in the Eurozone, now largely confined to long-suffering Greece, were not so much the result of design flaws as of perniciously low interest rates. Whilst countries such as Germany, Austria, and The Netherlands had always enjoyed convenient access to low-cost credit, those along the Mediterranean seaboard received an unexpected windfall upon the introduction of the common currency. Instead of assigning credit on the basis of national economic performance, banks rushed ahead of events and immediately considered the Eurozone as a single unified entity – even though the Maastricht Treaty of 1992 clearly points out that member states are not responsible or liable for each other's debts.

Take Greece. In the years following the adoption of the euro, the availability of cheap money boosted spending by Greek households by as much as 40% – most of it, if not all, on credit. After years of successive crises, household spending has now been reduced by about a quarter. According to Dutch Finance Minister Jeroen Dijsselbloem, the euro's design was not at all flawed. During a debate with parliament in early February, Mr Dijsselbloem insisted that the currency was carefully conceived and set up – as opposed to hastily implemented – as the culmination of a decades-long process of monetary convergence and integration.

Mr Dijsselbloem did, however, admit that the euro's designers had not considered the possibility that banks would no longer differentiate between Eurozone member states: "Yes, we perhaps should have provided for even stronger regulation, which has belatedly been put into place, but there was no way to foresee the banks' freewheeling attitude towards credit."

As it happened, low interest rates caused an economic boom across Southern Europe, and in Ireland, which, in turn, drove up wages – thereby depriving these countries of their competitive advantage vis-à-vis the higher income nations of the Eurozone. Rapid growth also removed any incentive to reform economies in order to increase productivity and improve competitiveness. "What we now forget is that in the early 2000s Germany was seen, not as an economic powerhouse, but as the sick man of Europe – burdened by rigid labour laws and high labour costs. However, the Germans recognised the issue, addressed it, and regained their prowess. The Netherlands did likewise and also saw things improve dramatically."

> "Without upbeat consumers snapping up gadgets, renewing their wardrobes, and renovating their homes, there is little to support sustained economic growth in Britain, as The Economist dryly noted."

Mr Dijsselbloem stressed that countries such as Spain, Portugal, and Ireland that ultimately did manage to embrace reform also returned to growth and moved away from the financial abyss. "When the euro is blamed for economic ills, we in reality point the finger at countries and governments that failed to bite the bullet and adopt sensible policies."

A not dissimilar scenario is currently unfolding in one of the more unlikely corners of Europe to be plagued by financial shenanigans – the United Kingdom. As the country prepares to part ways with its continental neighbours, British consumers have embarked on a veritable buying spree, driving up retail sale volumes by well over 6% in 2016. Average household income has lagged and – after years of steady decline – was up only 2.7% last year. The difference is financed by unsecured consumer credit.

Perhaps a tad more realistic – or slightly less exuberant – than their Mediterranean peers, British shoppers have apparently become alarmed at their own behaviour. Already before the festive season, the Bank of England detected a change of heart with consumer credit growth rates plummeting by almost 50%. Whilst January is always a slow month, retailers report that 2017 was off to a particularly slow start. Meanwhile inflation is catching up and starting to bite, as is the realisation that Brexit means Brexit and the country will shortly be without preferential access to the world's largest consumer market.

Mood swings are dangerous affairs, particularly so in the United Kingdom which boasts an economy that enjoys few support pillars as stable and massive as consumer spending. Investment levels remain perilously weak by historical standards, whilst export levels seem static even in the face of a sharply devalued pound. Meanwhile, the government is committed to continued austerity in an attempt to close its spending deficit, currently running at a rather dismal 3.7% of GDP. Only Spain (-4.6%) and Greece (-7.7%) are more profligate in Europe.

The UK also continues to suffer from a curiously Anglophone affliction – massive current account deficits. The country has so far been unable to close this 5.6% of GDP gap between financial inflows and outflows, thus perpetuating its dependency of foreign investors – mostly hailing from Eurozone member states which posted a whopping $395bn (+3.3%) current account surplus, the largest in the world.

Whilst proud to boast the highest growth rate – all of 2% - of the G7 economies in 2016, the UK was outperformed by – of all countries – Spain, which saw its GDP balloon by 3.2%. In Europe, Poland (+2.6%), Sweden (+3.1%), The Netherlands (+2.3%), and the Czech Republic (+2.4%) also registered higher growth rates. For the UK, this year's forecast is much less rosy with economic growth slated to come in at 1.2%. Perhaps even more tellingly, industrial output increased only 1.8% – a rather poor result that puts the UK in the company of Belgium at the bottom of the table.

Without upbeat consumers snapping up gadgets, renewing their wardrobes, and renovating their homes, there is little to support sustained economic growth in Britain, as The Economist dryly noted. Add a modest degree of Brexit uncertainty to the mix – after all, we would not wish to dispel the notion (mirage?) of sunny uplands ahead – and 2017 promises a rather more bumpy ride. ❊

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